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How to Make the Top

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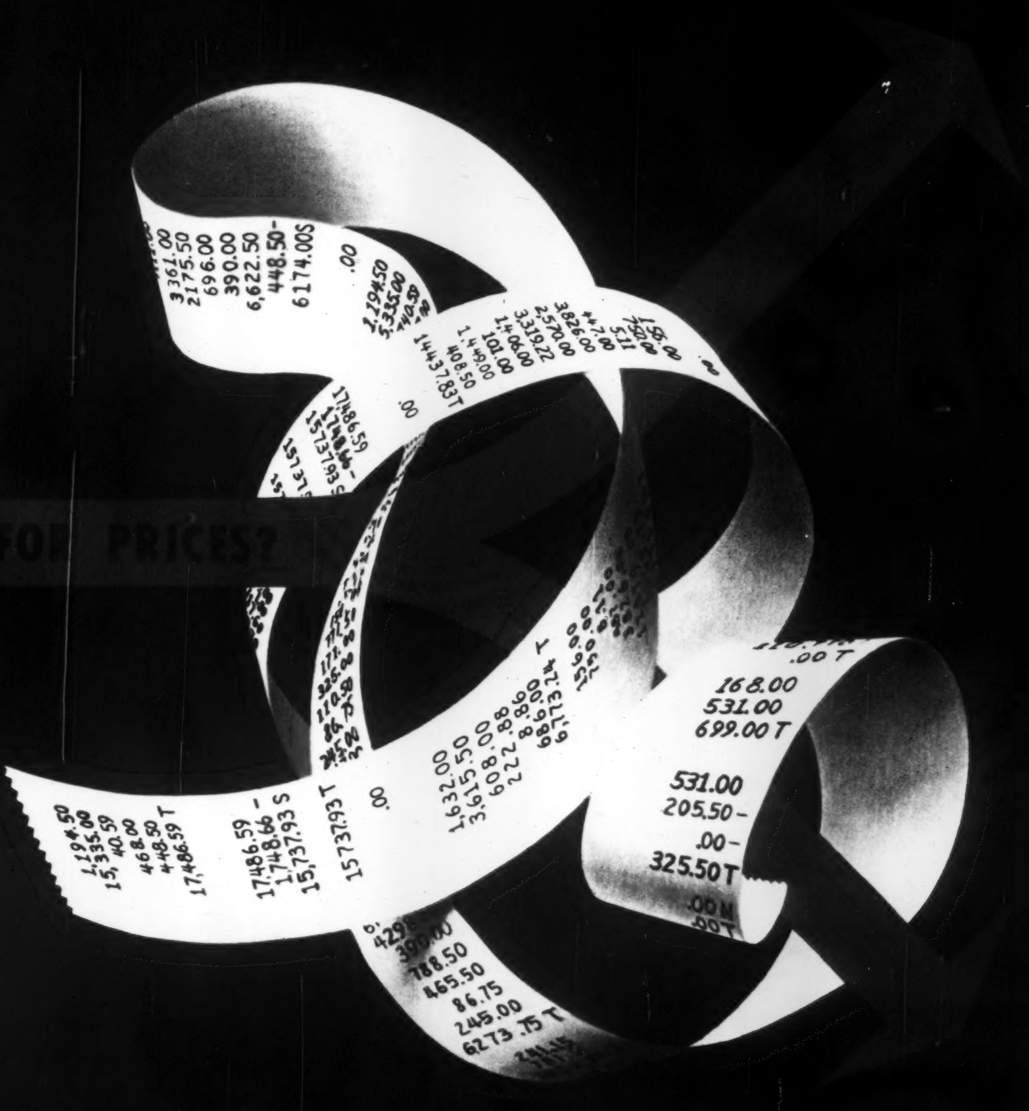

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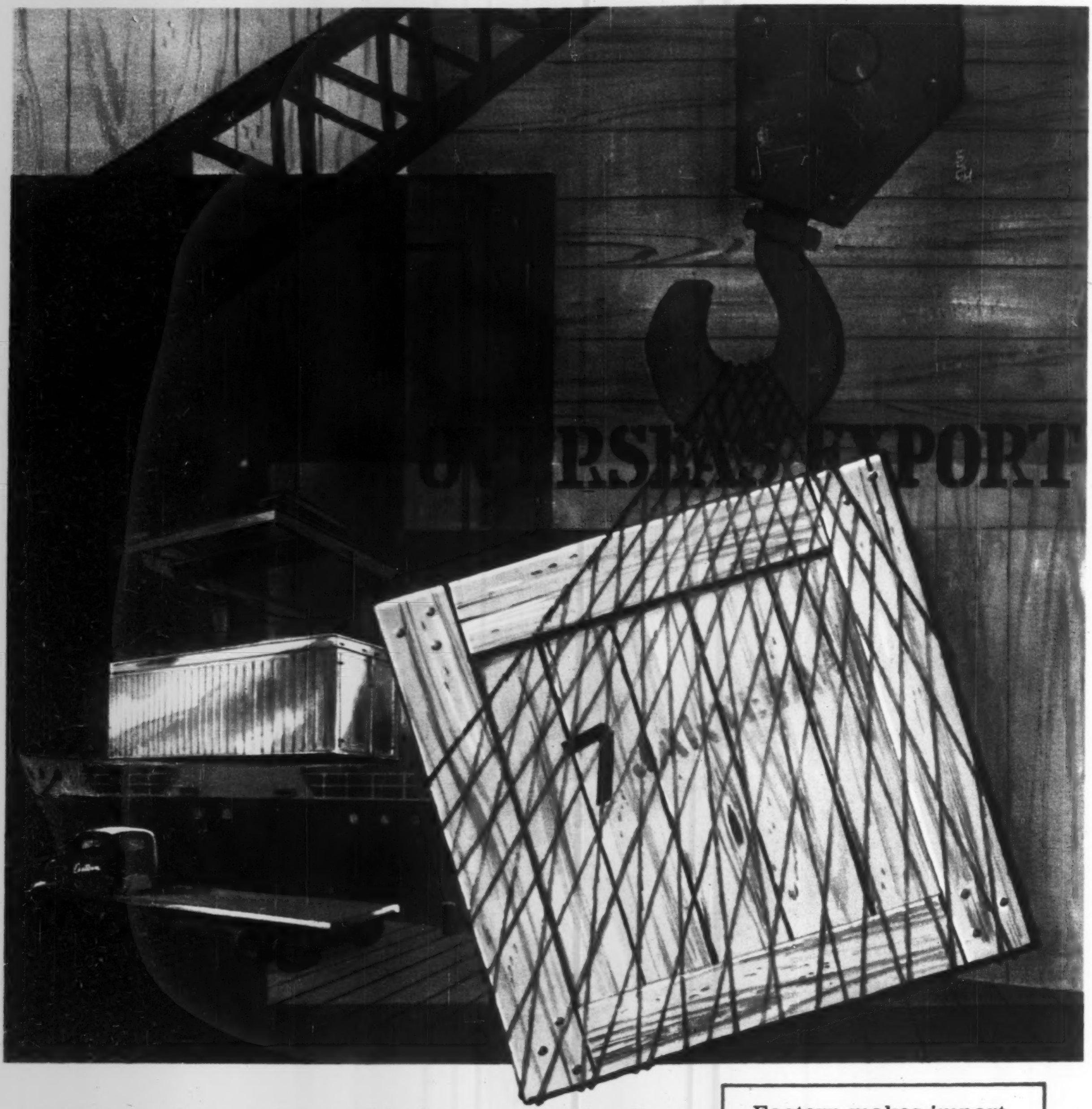

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DUN'S REVIEW

AND MODERN INDUSTRY

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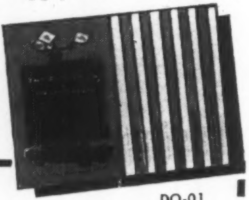

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Letters to the Editor

Against Conservatism

SIR: The editorial in your August issue ("The Conservative Rebels," DUN'S REVIEW) mentions the "resurgence of the conservative spirit" on the campuses of our colleges and universities. May I say that as a student of business administration, I have encountered little of the widely publicized "conservative movement." Most students and professors are still individualists, who continue to demand and fight for changes which will make the life of the non-businessman more fruitful.

According to Webster's, the basic tenet of conservatism is "opposition to change." People only resist change if they feel that the existing society is perfect. I do not think the Negro children who were kept out of the Little Rock elementary school system would agree that we have obtained the perfect society.

The alliance of certain college students with "conservatism" is merely an excuse for know-nothing, selfish bigots. The people who cry that the Government is taking over our lives are not worried about the maintenance of freedom. They are worried that the Government will protect the economic and social rights of the workers (at the "unfair" expense of the $50,000-a-year executive) or will help end discrimination in employment.

If these conservatives, especially businessmen, were a little less obsessed with their fanatical drive for amassing fortunes, and were more concerned with the poverty-stricken areas of our cities and the people who pay rent to live in rat-infested hotels, the Government would not be forced to take it upon itself to rectify the situation.

NATHAN WEBER
Brooklyn, N.Y.

Those Municipal Bonds

SIR: In your article on municipal bonds ("Little Risk—and an 8% Return," DUN'S REVIEW, August), your reference to a "commission" on municipal bonds is somewhat misleading. With the exception of a few very active bonds which sell at dollar prices, municipal bonds are rarely traded on a commission basis.

A municipal bond house usually tries to direct a customer's selection to bonds which it is carrying in inventory. If unsuccessful, it purchases bonds for the customer from another dealer, receiving a concession from the selling house as compensation for making the trade. Such a transaction is reported to the customer as a principal and not an agency transaction.

HAROLD S. SMITH
Granbery, Marache & Co.
New York, N.Y.

SIR: It seems a shame to spoil such a generally good article with the very misleading headline, "Little Risk—and an 8% Return," when obviously you are referring to the taxable equivalent return.

W. NEAL FULKERSON JR.
Vice President,
Bankers Trust Co.
New York, N.Y.

Taxes being what they are, the equivalent return has become the important one.—ED.

SIR: Your very fine description of the municipal bond field should be especially helpful to investors who have no knowledge of this type of investment.

M. DICKERMAN
Secretary to the President,
The First of Arizona Co.
Phoenix, Arizona

SIR: . . . one of the finest articles we have read.

H. L. WESTPHAL
Vice President,
Iowa-Des Moines National Bank
Des Moines, Iowa

SIR: . . . extremely well done. You can be sure that most articles on this subject leave a great deal to be desired.

E. H. DAVIS
Vice President,
John Nuveen & Co.
Chicago, Ill.

In Praise of Realism

SIR: "A New Look at Labor" (DUN'S REVIEW, September) hits a very responsive chord as far as I am concerned. This is partly because, in the past, I have expressed publicly or privately a number of the identical thoughts quoted in the article. I certainly hope that we in this organization operate our management-labor relations with this same realistic viewpoint guiding us.

J. R. JACKMAN
President,
Rumford Printing Co.
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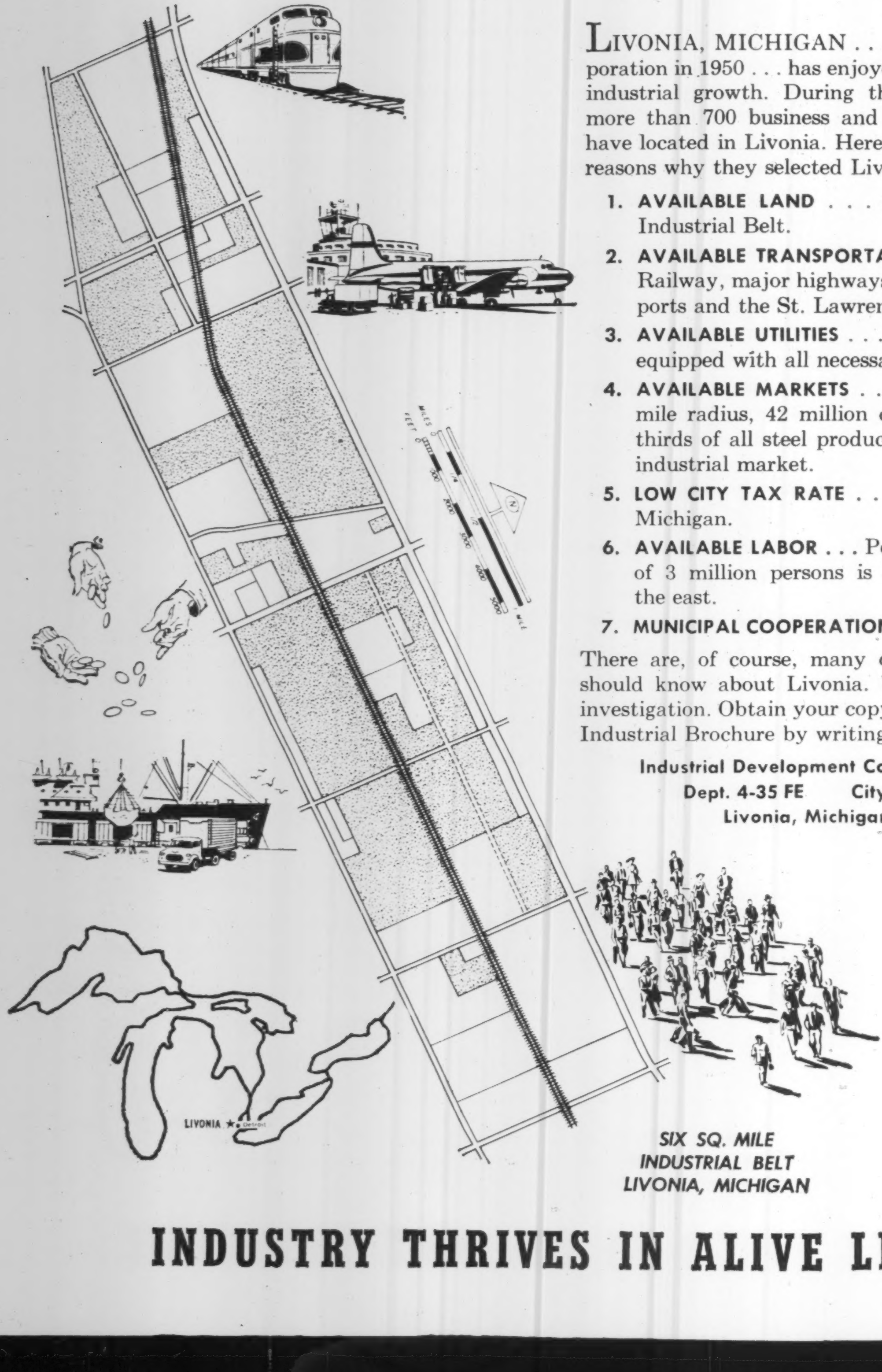

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INDUSTRY THRIVES IN ALIVE LIVONIA

WASHINGTON DESK

DUN'S REVIEW
AND MODERN INDUSTRY
October 1961

Fresh defeats may be in store for President Kennedy's legislative program when Congress reconvenes. The rambunctious lawmakers are due back in January, and Administration leaders are awaiting their return with something less than wild enthusiasm. The session just ended may not have been the unmitigated disaster that some critics claim, but it was far from a howling success. Looking ahead, top White House aides see more of the same.

Mr. Kennedy can blame his miseries--and the tarnishing of his "success image"--on a rejuvenated House coalition of Republicans and Southern Democrats. The Senate treated him well. The powerful House alliance of conservatives seemed to be falling apart just after Mr. Kennedy took office, but it came back together with a bang soon afterwards. With Congressional elections coming up next fall, prospects are that the conservative coalition will be even tougher to please in 1962 than it was during 1961, which supposedly should have been Mr. Kennedy's honeymoon year.

Domestic welfare measures were the coalition's chief target, but it didn't stop there. It handed the President a stinging defeat when he tried to add a novel five-year borrowing program to the foreign aid bill, and it helped sidetrack his unprecedented tax investment incentive plan. Mr. Kennedy won approval of modified versions of familiar domestic programs such as the minimum wage and depressed areas measures, but he was unable to break important new ground. He probably would have done better if the early business recovery had not drained much of the urgency from his economic proposals--and if the Berlin crisis had not aroused new fears that domestic spending might get out of hand.

The White House has all but abandoned hope that Congress will vote in 1962 to enact the school program that it rejected in 1961. The President's bitterly controversial pledge to broaden the Social Security program to include medical care for oldsters--which he did not press this year--awaits an uncertain fate. The odds are against his winning approval of a more generous unemployment compensation program or of new Presidential powers to settle labor disputes. White House aides will be searching during the coming months for persuaders they can use on recalcitrant legislators. But veteran Congressional politicians give them little chance of success.

* * *

The military build-up is gradually unfolding to its full dimensions. It is a carefully planned, step-by-step operation. Many of the details remain closely guarded secrets. The objectives are to increase the strength of the armed forces, to do the job in an orderly manner, and to do it a way that will convince Soviet Premier Khrushchev the United States means business.

More men are to be called up. More are to be sent overseas. And more conventional, but modern, weapons will be bought to beef up the fighting power of the combat troops. All but a few of these moves were worked out in detail at the time of the President's July 26 Berlin crisis message. At that time, Congress voted added funds to cover their cost.

Look for the President to take additional measures if the world situation worsens. Those measures have been planned, too. They can be set in motion at once. They will cost substantial extra sums. Congress, however, will not have to be called back if action becomes necessary, since a clause in the military appropriations law allows the President to spend whatever may be needed. Long in the law, that clause gives the President power to meet such an emergency as the one we may face this fall.

* * *

The hard core of the job problem is made up of youngsters and married women. The Administration wants to chop unemployment to 4 per cent by the end of 1962 from the rate of just under 7 per cent that has prevailed in recent months. That will not be easy, for it means boosting production at a pace that will provide about 3 million new jobs. The problem of the youngsters is well known. The famous crop of war babies, now beginning to hit the job market, is unskilled, inexperienced, and easily absorbed into the working force only in boom times.

The problem of the married women is less familiar. It is, in fact, relatively new. What has happened is that married women have been joining the labor force in growing numbers, and joining it for good. Time was when they used to go to work, they worked when jobs were plentiful, went back to housekeeping when business activity slumped. That, it seems, is no longer the pattern. Many married women lost their jobs during the 1960 recession, and some are still looking for new ones.

* * *

The Small Business Administration's brand new bank participation program looks like a thumping success, judging from preliminary returns. The SBA now allows a commercial bank to check a customer's credit standing and make a joint loan so long as the bank puts up at least 25 per cent of the loan amount. The SBA decided it could safely cut its red tape and let the bank take the initiative if the private institution is willing to risk a hefty chunk of its own money. The hope is that the program will stimulate the flow of private funds to small business.

* * *

The influential Business Council is working hard to return to the Administration's good graces. Until last summer, the semi-autonomous group had been known as the Commerce Department's Business Advisory Council. It broke with Secretary Luther H. Hodges when he tried to impose new rules on its operations. Now the council's individual members, who liked having ready access to important Government officials, are anxious to get back on friendly terms. Small liaison committees have been named to deal with important Government agencies. The contact men regularly get in touch with the top officials, ask if there isn't some special project or study that the Business Council members can carry out. No assignments have been forthcoming, but that may change. The Administration, which is touchy about talk that it is anti-business, may decide that it would be smart to give the Council a few chores.

--Joseph R. Slevin

Why are so many promising men "failures" at thirty?

men who think that success is only a matter of "a few years" are failures . . . whatever their age!

1. "The most dangerous enemy of personal progress in business is indecision. . . ."

2. "Aimlessly shifting from job to job adds nothing of value to one's experience. . . ."

3. "We believe we've learned, over the years, the secret of succeeding while you're still young. . . ."

4. "And we're always happy to pass along our suggestions to anybody who is genuinely ambitious."

By James M. Jenks

MOST BUSINESS LEADERS agree that the years from thirty to forty are the decisive ones for young men who hope to become major executives.

Often their twenties are spent orienting themselves to the commercial world—experimenting, searching, changing from one kind of business to another, or from department to department.

But when a man reaches thirty, he should surely know where he plans to go. And he should begin to take definite steps in that direction. Otherwise, he risks the danger of moving about aimlessly for the rest of his working days.

Why do so many promising men fail to solve this elementary question of direction? Why do they waste so much precious time switching jobs and objectives until all hope of success has passed them by? The answer, quite simply, lies in their refusal to face a question which is fundamental to the progress of every businessman:

> *"How important are the rewards success will bring to me and my family? Am I willing to sacrifice a great deal of time, to devote myself wholeheartedly to my job and to work hard in order to make—not just a living—but a substantial success?"*

We try never to influence a man's thinking on this question. The answer must come from within himself.

It would, of course, be unrealistic not to recognize that success in business demands its price. Top management men are required to shoulder burdensome responsibilities—to work abnormally long hours—to spend less time with their families than they would like.

Further, *not everybody* has the native ability, the vision and the "drive" to be a leader.

Thus each man should take a hard, objective look at himself—and come to an honest conclusion as to what his goal in business should be.

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Many years ago, the Institute published an unusual little book on the subject of personal advancement titled "Forging Ahead in Business." It was offered, without cost, to ambitious businessmen, and the response was overwhelming.

Each year since then, we have made whatever changes were necessary to keep "Forging Ahead in Business" up to date and as refreshingly candid as the first edition.

The latest edition is now off the press, and is again being offered, with our compliments, to anybody who is genuinely interested in improving his position and his income.

The current issue explains why literally thousands of businesses and businessmen fail every year . . . in time of prosperity as well as depression. It tells what a man must *know* . . . what he must *do* . . . to make upwards of $15,000 a year. It lists the eleven essentials of business, and shows how they relate to each other.

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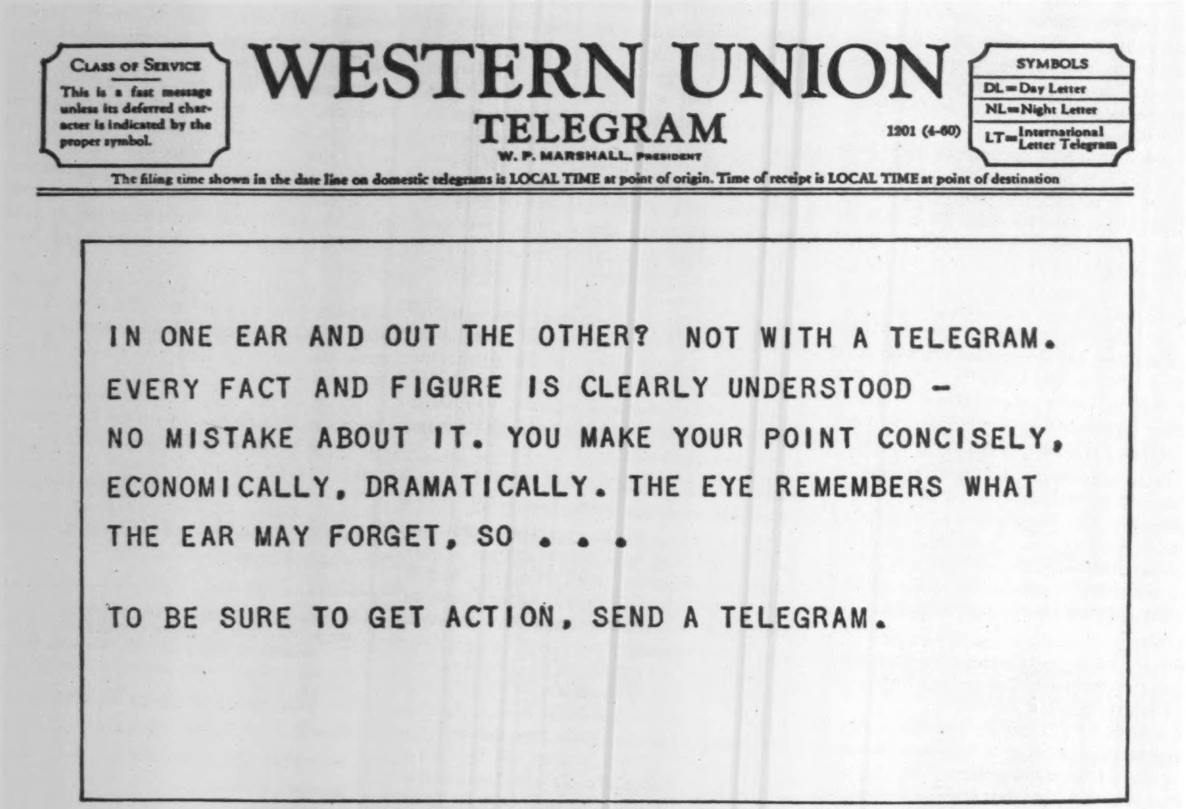

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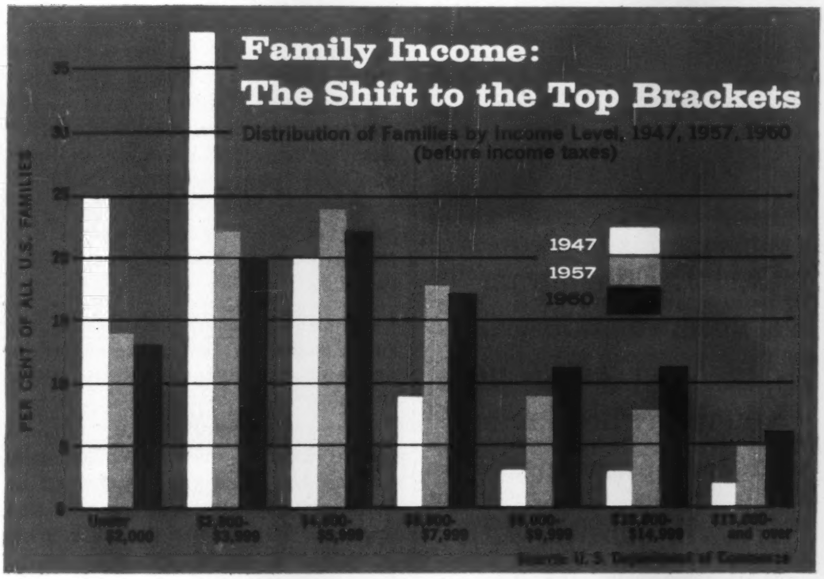
Trend of Business

Sales: *Lively autumn gains expected at retail*
Production: *Record output pacing a 1962 boom*
Construction: *Continued strength bolsters the economy*
Failures: *August tolls and liabilities sharply up*

THE 1960–61 recession is dead and due for a prompt burial. As the economy heads into the fourth quarter, over-all business activity is noticeably picking up steam. The gains will not be strong enough to make 1961 as a whole add up to a really good year. But their momentum, continuing well into 1962, carries a promise of boom and a hint of inflation.

Industrial production continues to lead the way as steel and auto output climb. As growing demand takes up the slack in industrial capacity, higher profits will spur capital expansion. Employment and retail sales, the usual laggards in a recovery, still have not hit their stride. But rising personal income and continuing increases in manufacturers' new orders are expected to give them a healthy fourth-quarter push. And increased government spending is adding to the economy's forward thrust.



AS MORE U.S. FAMILIES crowd into the high-income brackets, marketing opportunities grow for producers of luxury goods, high-ticket appliances.

Industrial production is heading toward new high ground. And, as things look now, the next major labor dispute is a year away.

Thanks to firm demand and relatively low inventories, industrial production is climbing to new record highs. Gross National Product, the nation's total output of goods and services, promises to top a seasonally adjusted annual rate of $541 billion by the end of 1961 and $570 billion next summer. The Federal Reserve Board's index of industrial production (1957 =100), which stood at a record 113 in August, ought to top 120 by next spring.

Steel buying in the third quarter was hesitant at times. This, however, only buoyed up the prospects for the current quarter. Steel inventories generally are low—too low, considering the size of the buildup now under way. Added to that, there are several possibilities that could trigger a buyers' rush. There will probably be some buying as a hedge against an October 1962 steel strike. Other steel customers may be adding to their inventories in expectation of steel price increases. On top of this, the deteriorating international picture may scare still others into buying more heavily. With gains in steel orders, output will show a further increase, and delivery time will lengthen.

New automobiles in great variety and vast quantity will spark the 1962 boom.

Fourth-quarter auto production schedules have built up to near-record highs. The industry is shooting for the 1.8 million mark, which would make this the second-best fourth quarter on record. If they hit this target, the automakers would better their record of fourth-quarter 1960, when production exceeded 1.7 million. But they would still fall short of 1955's record fourth quarter, when auto output hit a whopping 1.9 million.

Detroit is confident of existing demand and eager to please the customers. Over 400 different models will come forth—bewildering the buyer, perhaps, but certainly appealing to a variety of tastes. Emphasis is on the so-called medium-size car, which the manufacturers are counting on to help compensate for uncomfortably low profit margins on the smaller compacts.

With the general rise in confidence, inventory accumulation is edging up-

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ward, but it remains low in relation to sales.

Inventories, which have been rising gradually since March, should continue to gain generally over the months ahead. Manufacturing and retail trade inventories have shown a steady build-up in recent months, while stocks at wholesale dipped a bit during the summer. In relation to sales, though, inventories are still low—a good omen for the months just ahead.

Construction is another bright spot. The used-house market, which has been improving over much of the country, may add strength to new housing outlays. Private construction will show enough of a gain to bring 1961 as a whole to a new peak. Public construction will rise more sharply, giving the total a solid push upward.

Still another sign of a good fourth quarter is the rising tide of manufacturers' new orders. Increases in durables have been noteworthy. New defense orders strengthened late summer gains but came too early to reflect the recent boost in defense-spending authorizations.

Consumers, who cut down on durable goods purchases during the recession, are gaining confidence and will return to make big purchases.

With the specter of 6.9% unemployed looming in the background, caution has been the watchword in automobile, furniture, refrigerator and appliance buying. But the better tone of the economy is getting across to consumers. Autumn is expected to bring the shoppers back to the stores in force, and retailers are looking for the biggest Christmas ever.

With their personal incomes rising and their installment debt in good shape, a growing number of consumers will be deciding not to put off that big purchase any longer. Extensions of installment credit currently suggest growing consumer willingness to buy the high-priced goods. At summer's end, back-to-school purchases had already started pushing up department store sales, particularly of apparel.

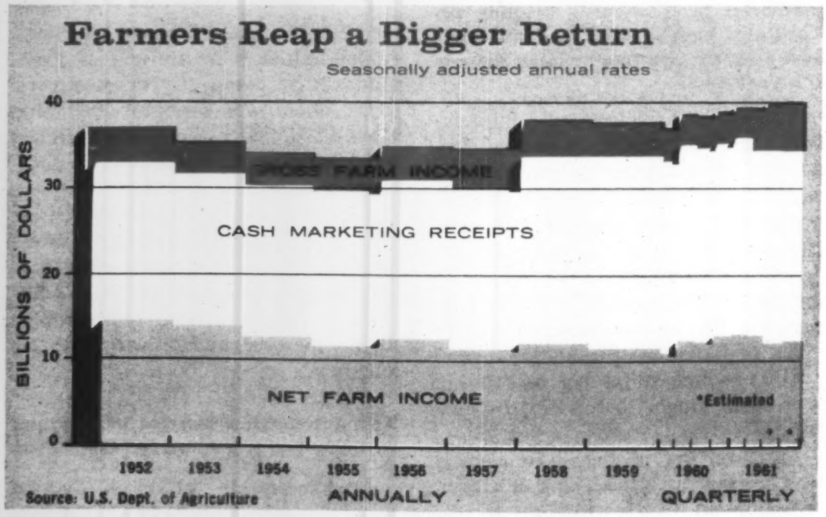
The unemployment problem of course, is still very much with us. But rising business activity is reducing its impact. Government efforts to shrink the pool of unemployed are continuing, and increased defense spending will also help. As unemployment declines, confidence will feed on confidence.

Profit levels are improving as business picks up. So far, inflationary pressures have not built up, but something that looks like a cloud is on the horizon.

Along with the general rise in business activity, corporate profits are expected to make a better showing in the fourth quarter this year. After a dull start in the first half of the year, the profit picture should improve, with losses in most areas diminishing and even some year-to-year gains appearing in most industries.

Profit margins remain troublesome, but they will improve considerably over the next several months. Just how much will depend, of course, partly on wage and price trends.

Business spending on new plant and



Farmers Reap a Bigger Return

Seasonally adjusted annual rates

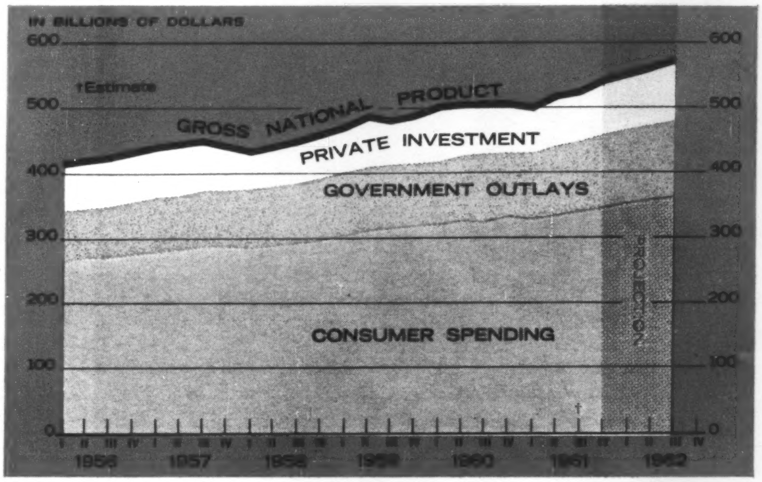
Source: U.S. Dept. of Agriculture

EVEN THOUGH his operating expenses have been mounting, bigger marketing receipts and subsidy payments have combined to boost the farmer's income.

Looking Four Quarters Ahead

Quarters		Consumer spending	Government outlays	Private investment*	Gross national product
1960	III	328.3	100.7	74.5	503.5
	IV	330.8	102.1	70.6	503.5
1961†	I	328.8	104.7	66.3	499.8
	II	333.2	105.6	73.2	512.0
	III	339.6	107.6	76.3	523.5
	IV	345.4	109.7	79.9	535.0
1962†	I	352.5	111.3	82.1	546.0
	II	358.3	112.6	85.1	556.0

†DUN'S REVIEW & MODERN INDUSTRY estimates
*Includes net exports



Figures through the first quarter of 1961 are seasonally adjusted annual rates in billions of dollars, as reported by the National Income Division, Department of Commerce. Figures for the second quarter of 1961 and later are estimates prepared by Robert J. Landry of the Business Economics Department of DUN & BRADSTREET, INC.

equipment, which dipped in the second quarter, is headed up again and due to hit an annual rate of $35.9 billion in the fourth quarter, according to the latest government estimates put out last month by the Securities and Exchange Commission.

On the nation's farms, a drop in output is expected this year for the first time since 1949. The farmer himself, however, is doing better financially. A slight rise in the average of prices received by farmers has nudged up cash receipts from farm marketings. At the same time, drought in the northern Great Plains has cut into crop output. Acreage reduction under the Feed Grain Program has both lowered output and raised government payments to the farmer. Even with rising costs and lowered output, the U.S. farmer is better off today due to improved prices and higher subsidies.

Thus far in the recovery, idle labor and plant capacity have helped to prevent any noticeable upward drift of prices. But these forces are expected to lose their impact over the coming months, bringing to the fore the possibility of renewed inflation. Already, basic steel has at least had to think about price increases, and the steelmen will continue to bear October 1962 in mind. Labor wants its share of the ripening melon, as it demonstrated in the recent auto negotiations. And the Federal Government, faced with crisis abroad, continues with expansionary programs aimed at combatting the recession at home. These ingredients have not yet jelled into inflation. But as the economy continues to advance, there are danger spots as well as gains to be reckoned with.

—JACKSON PHILLIPS

important news

for all companies using 10 or more business cars

Fleetcar leasing—the *Hertz* way—is described by leading companies as "the lowest cost sales-insurance we ever took out." Find out how Hertz Fleetcar Leasing plans cater to the special needs of larger users of business cars. Discover how they're tailored for companies which best benefit from the nation's most extensive coast-to-coast leasing facilities, and from operating efficiency perfected over 30 years. Each "10-Plus" plan replaces your cars with brand-new Chevrolets, Corvairs, or other fine cars; assumes full responsibility for maintenance and repairs; and reduces the many annoying details of fleet administration to the writing of one budgetable check each month. Use coupon below to learn why more and more and more multi-car companies agree Hertz Fleetleasing makes the best business sense for them.

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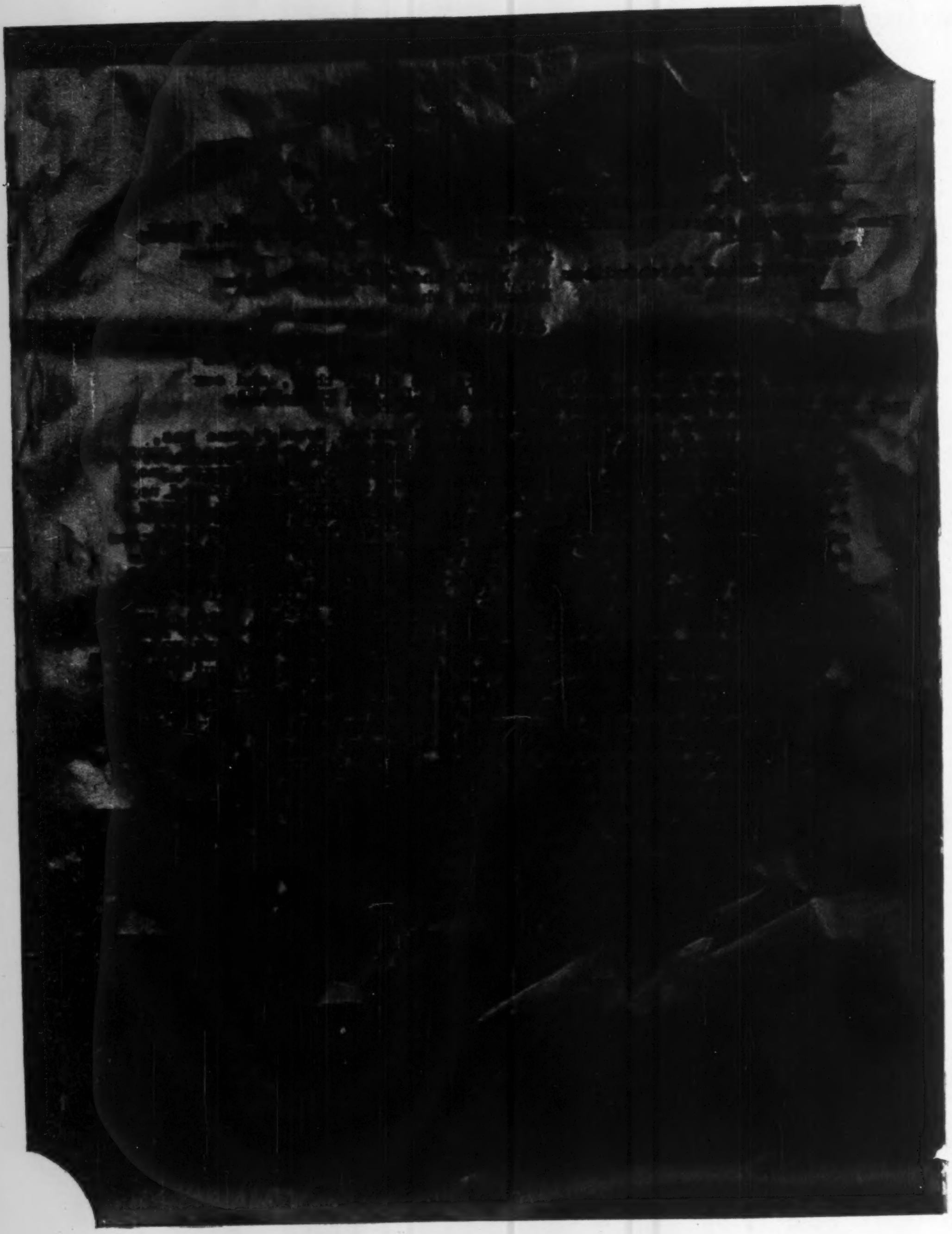
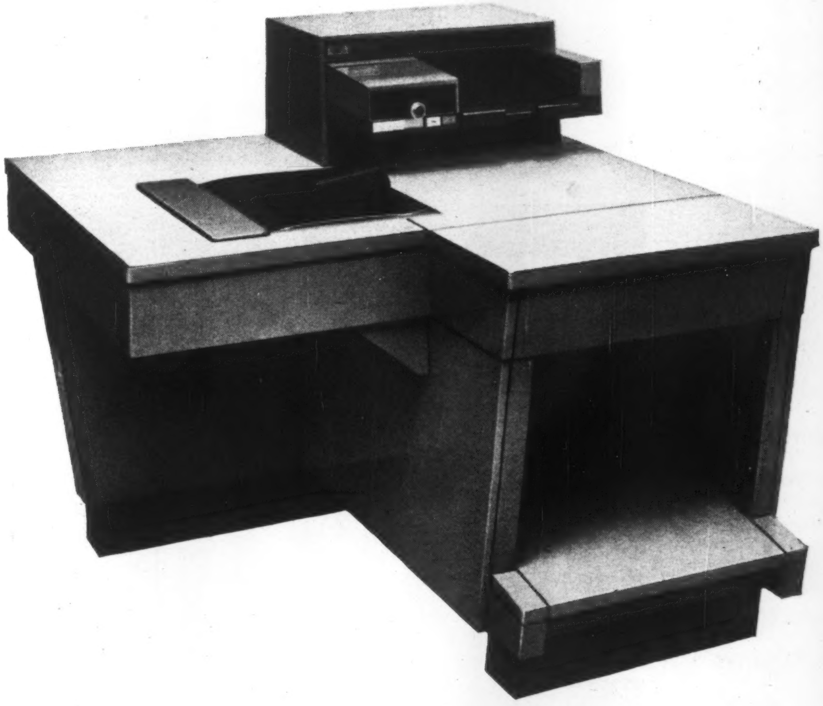


This was the beginning of office copying.



This is the end.

This is the Xerox 914 Copier. (What other copying machines were to carbon paper, the 914 is to other copying machines.)

The 914 makes permanent copies on ordinary paper. Your great grandchildren will be able to read Xerographic copies.

The 914 Copier is versatile; anything you can see, it can copy in black and white. Even if there's blue in the original (ball point signatures) or yellow (traffic forms) or red (rubber stamps). What's more, copies can be made from books or rigid materials. The original doesn't move.

The 914 is automatic and fast. You can make one to fifteen copies (seven copies a minute) by turning a knob and pushing a button. Turn the knob to "M" and the copies will keep coming until you return and say stop. Adjustments for light and dark originals? There aren't any. Adding wet chemicals? The 914 is a dry machine. Bone dry.

The 914 Copier doesn't cost you a cent; we lend it to you. For the first 2,000 copies per month, you pay $95.00. That's about 5¢ a copy (a perfect copy).

If you own any other office copying machine, and you're paying about 5¢ a copy, retire it and stop throwing good money after bad.

A Xerox representative would like to bring a 914 Copier to your office and show it to you. But he can't. The 914 Copier is not a toy; it weighs 648 pounds. That means you'll have to come to our offices located in principal U.S. and Canadian cities. (People representing thousands of organizations, from United States Steel to the White House, are glad they made the trip. You will be, too.)

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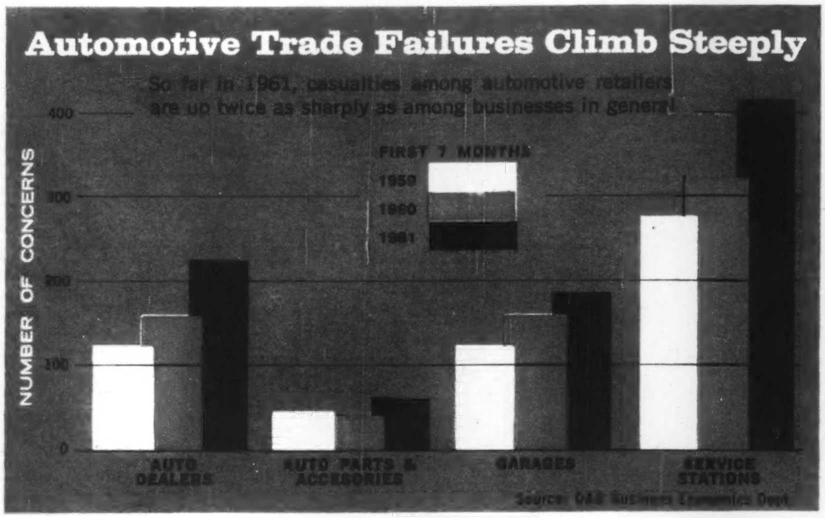
Business Failures

Casualties take a spectacular jump
August dollar losses soar above July



Source: D&B Business Economics Dept.

ON the heels of a two-month decline, business failure swung up to 1,604 in August, a toll exceeded only once in the post-war period. This rise of 26%, contrasting with a customary 2% seasonal dip, lifted casualties close to the peak of 1,610 that was registered last March. A fifth more concerns succumbed than a year ago, when the August toll came to 1,315 firms.

Dollar liabilities, after dropping to a twelve-month low in July, surged up 48% to $102.7 million in August. Only twice in recent years have losses bulked larger—this past March, and June of 1960, when total liabilities topped $126 million. This spectacular climb occurred in all functions except retailing. Among retailers, the strongest month-to-month upswing occurred among very small casualties under $5,000. Steeply rising losses showed up in many industries and trades. Among them were such companies as the manufacturers of frozen foods, iron and steel products, boats, printing, heavy construction contractors, hotels, and wholesalers of building materials and machinery.

Failures ran above July levels in all types of operation, but only retail failures set a new post-war record. More casualties occurred in all trades, with especially sharp increases from July in general merchandise, apparel, furniture and hardware. The food rise centered in bakery shops, while the automotive upturn was concentrated among used car dealers and sellers of house trailers.

In wholesale trade, three times as many building materials concerns failed in August as in July, and twice as many automotive dealers. In serv-

continued on page 16

THE FAILURE RECORD

	Aug. 1961	July 1961	Aug. 1960	% Chg. †
DUN'S FAILURE INDEX*				
Unadjusted	67.7	58.1	54.2	+25
Adjusted, seasonally	74.4	62.5	59.6	+25
NUMBER OF FAILURES	1,604	1,275	1,315	+22
NUMBER BY SIZE OF DEBT				
Under $5,000	190	119	146	+30
$5,000—$25,000	704	555	573	+23
$25,000—$100,000	518	459	418	+24
Over $100,000	192	142	178	+ 8
NUMBER BY INDUSTRY GROUPS				
Manufacturing	260	223	228	+14
Wholesale trade	164	112	121	+36
Retail trade	789	633	621	+27
Construction	262	196	217	+21
Commercial service	129	111	128	+ 1
LIABILITIES (*in thousands*)				
CURRENT	$102,693	$69,168	$97,594	+5
TOTAL	102,916	69,196	99,897	+3

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Per cent change, August 1961 from August 1960.

In this record, a "failure" occurs when a concern is involved in a court action or voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supplying companies or the Government; they do not include long-term publicly held obligations.

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prevailing torque
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*Reprints are also available for your personal file.

NATIONAL MACHINE PRODUCTS COMPANY
an SPS company
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ices, the toll among cleaners and laundries doubled. Construction casualties were half again as numerous among subcontractors and heavy construction contractors as they had been a month earlier.

Compared with August 1960 levels, service failures held about even, but in other functions the climb in tolls ranged from 14% in manufacturing to 36% in wholesaling.

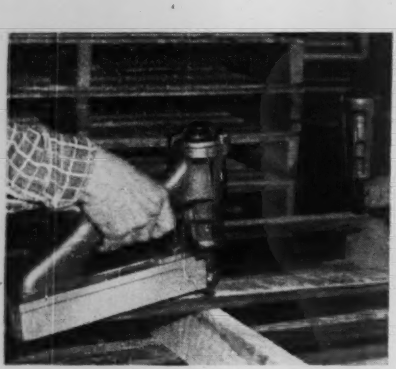
Geographically, the August upturn in business mortality was felt in all areas. All regional totals ran higher than in the preceding month or a year ago. The rise was mildest in the New England and Pacific States, steepest in the South Atlantic and South Central States. Tolls surged up more strongly in non-metropolitan districts than in large cities. While casualties climbed appreciably in New York, Rochester, Detroit, San Francisco and Seattle, they fell off between July and August in Chicago, Philadelphia, and held even in Los Angeles.

FAILURES BY DIVISION OF INDUSTRY

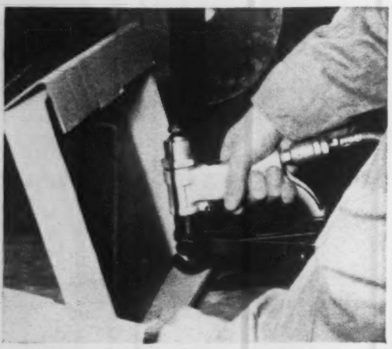
	Cumulative total		Liabilities in million $	
	(Eight Months)			
	1961	1960	1961	1960
MINING, MANUFACTURING.	1,936	1,703	185.7	202.8
Mining—coal, oil, misc..	64	63	8.4	15.1
Food and kindred products	112	117	15.7	25.5
Textile products, apparel.	337	280	31.9	23.5
Lumber, lumber products.	347	351	23.0	27.8
Paper, printing, publishing	168	120	13.4	6.2
Chemicals, allied products	63	43	4.6	2.3
Leather, leather products.	53	51	4.3	9.1
Stone, clay, glass products	38	33	2.6	3.6
Iron, steel, products....	136	107	16.2	16.5
Machinery............	190	177	18.2	34.9
Transportation equipment	84	75	19.7	10.1
Miscellaneous..........	344	286	27.8	28.2
WHOLESALE TRADE........	1,162	964	91.0	72.5
Food and farm products.	215	226	15.7	22.5
Apparel...............	42	34	2.6	2.3
Dry goods	24	23	1.8	1.0
Lumber, bldg. mats., hdwre	151	122	16.3	10.6
Chemicals and drugs....	35	30	1.8	1.1
Motor vehicles, equipment	85	79	3.8	4.6
Miscellaneous..........	610	450	49.0	30.4
RETAIL TRADE...........	5,717	4,915	251.7	154.4
Food and liquor.......	769	712	56.7	19.1
General merchandise....	226	183	12.9	10.8
Apparel and accessories.	799	684	32.2	16.5
Furniture, furnishings...	726	676	38.1	25.2
Lumber, bldg. mats., hdwre	372	308	15.5	12.2
Automotive group......	1,037	831	37.4	29.0
Eating, drinking places..	1,080	911	35.5	26.8
Drug stores............	124	101	3.6	2.4
Miscellaneous..........	584	509	19.8	12.4
CONSTRUCTION...........	1,927	1,685	132.7	124.3
General bldg. contractors	736	650	61.3	69.8
Building subcontractors.	1,070	930	53.3	45.9
Other contractors......	121	105	18.1	8.6
COMMERCIAL SERVICE.....	989	901	57.4	59.1
TOTAL UNITED STATES....	11,731	10,168	718.5	613.1

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

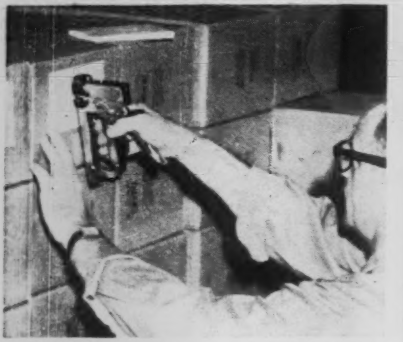
This report was prepared in the Business Economics Department by Rowena Wyant.



Staple-nailing expendable skids, crates and boxes.



Portable stapling plier solves carton assembly problem.



Attaching shipping tags to filled corrugated cartons.

Fastening liners and protective pads to shipping containers.

DUO-FAST gives you four "extra men" in your packaging and shipping departments

One man, plus a DUO-FAST Stapler, can outwork four men using old-fashioned fastening methods on industrial packaging. And that adds up to money saved.

Whether it is staple-nailing crates, assembling corrugated cartons, lining box cars, or attaching labels to filled cartons . . . DUO-FAST has the correct model and staple needed to do a good job, and do it fast!

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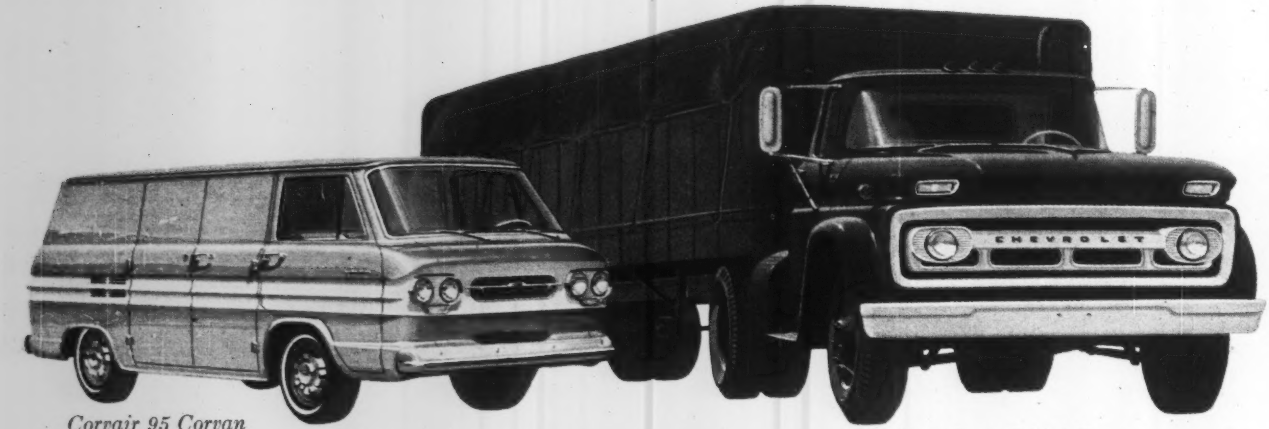

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Medium-Duty Diesel Tractor

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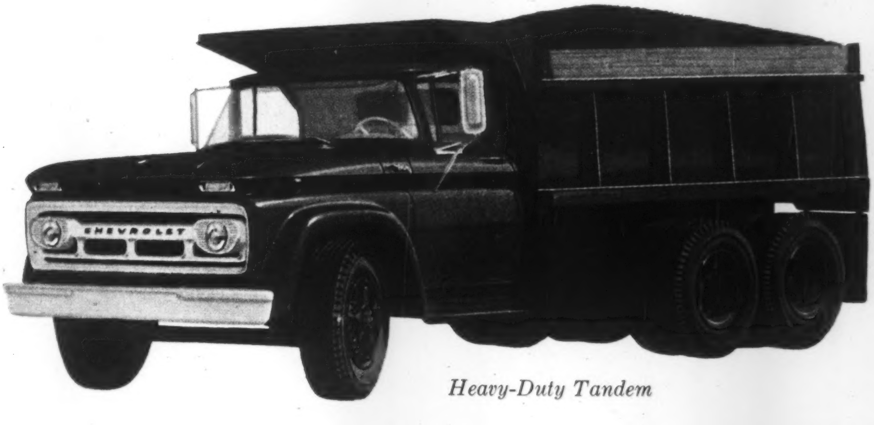
NEW FROM DIESEL TO DAZZLE!


Heavy-Duty Tandem

'62 CHEVROLET JOBMASTER TRUCKS

WITH NEW High Torque power!

Meet the trucks that are powered to work harder, built to work longer and styled to look good doing it . . . the new '62 Chevrolet Jobmaster Trucks.

There's new power, new torque, more work, more worth . . . in Chevrolet's '62 line. For heavies, the mightiest Chevy truck engine yet, the new High Torque 409 V8*, has 16½ per cent more torque than ever before available from Chevrolet. Brawny newcomer for middleweights is the new Chevy-GM 4-53 Diesel. Compact, rugged, high in torque, low on fuel costs, backed by years of GM Diesel experience—it's a sure booster of earning power. In light-duty models, joining the famed High Torque 235 Six, is the High Torque 261 Six* for new sock and savings in extra-tough service. Nine '62 Chevrolet truck engines in all—more worth in every weight class.

New work-styling includes forward-sloping hoods that allow drivers to see as much as 10½ feet more of the road directly ahead . . . maneuvering's easier, driving's safer. Chevrolet's famous Independent Front Suspension gives you the smoothest riding, easiest working trucks in the business. Loads ride easier, drivers stay fresher, trucks last longer. Middleweight models have heavier duty hypoid rear axles. Rugged new I-Beam front axles are optional* on heavyweight models. Mufflers are longer lived on all models.

Three work-proved Corvair 95's (2 pickups and a panel) haul up to 1,900 pounds of payload with low-cost dependability and sure, rear-engine traction.

Every one of the 198 new models for '62 is designed to make working, earning and saving easier. And it's easy to find out how . . . see your Chevrolet dealer. . . . *Chevrolet Division of General Motors, Detroit 2, Michigan.*

CHEVROLET

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*Optional at extra cost.

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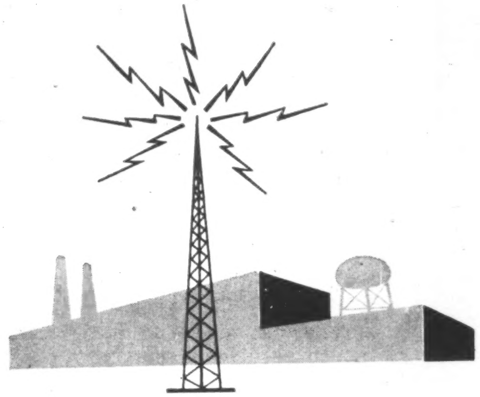


Voice of Industry

Helping the new nations abroad

Guide rules for the executive

Educational Foreign Aid

Frank Stanton, President, Columbia Broadcasting System, at the Massachusetts Institute of Technology: As the world's leading democracy we ought to take a good hard look at our national policy on foreign aid and see if we are doing enough to prepare the emerging nations of Africa and Asia to be truly self-governing and self-sufficient. One by one these emerging nations have said that education is their first concern. And one by one they have seen us neglect to give their educational development the same high priority we have given their economic and military development.

In Asia, for instance, some 7 million children in fifteen countries have no educational facilities whatsoever, while the other 65 million go to crowded, inadequate schools for a few elementary grades. And in the 22 countries of tropical Africa, an average of only 5% of the primary school children enter secondary school.

The importance of international educational development has long been the subject of speeches, reports and resolutions. Let us now take the initiative as free citizens. Let us undertake and support a great Marshall Plan of educational aid, a ten-year program amounting each year to perhaps a fifth of our current foreign aid commitment. Let us ask the President for his direct and personal leadership, and let us invite other countries to join us.

It may be that democracy will be irreparably damaged if the Russians get to the moon before us. I don't know. But of this I am absolutely certain: democracy cannot survive ignorance and superstition. It cannot survive the awful uncertainty, the fatal incompetence and the harsh defensiveness of those who have neither knowledge nor understanding — for they will be easy and inevitable victims of aggression from without or corruption from within.

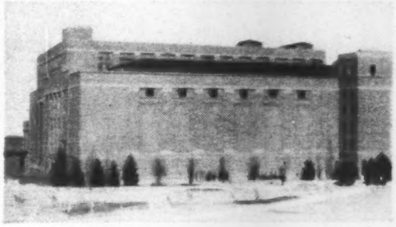
An Executive Philosophy

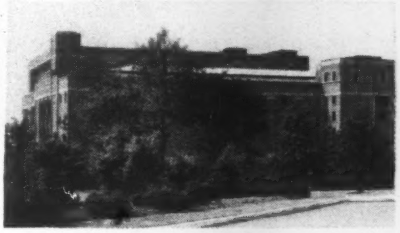
Herbert R. Silverman, President, James Talcott, Inc., to the Consumer Credit Management Program, Columbia University: In defining his own personal beliefs and convictions, the modern executive should have a definite personal philosophy to guide him in his actions in the many societies in which he must operate. He should not forget that his own personality is important, that he has capacities for growth that will determine the effective use of the "concerted human effort" for which he is responsible.

Within his own organization, the top executive must have a clear con-

What Davey landscaping did for this commercial site —it can do for yours

Your commercial buildings, be they old or new, can be blended into the neighborhood and made more attractive to the community, through expert landscaping. Davey offers you complete commercial landscaping services. Here's an example:





The harsh, naked lines of this industrial building were transformed by Davey planting. Fairly large trees and shrubs were skillfully placed to form a verdant, living screen, enhancing the whole area.

Community acceptance is only one tangible value of expert landscaping. Employees associate management understanding with their surroundings. Stockholders and suppliers—though perhaps they shouldn't—still do "judge a book by its cover."

Davey Commercial Site Department will provide you complete landscaping service—plans; trees, shrubbery, ground cover, lawn; budget planning; annual care—as much of the package or as little as your needs call for. And with this particular advantage: Davey is a nation-wide organization, with trained men backed by the most modern equipment. The Department is keyed to reliable, expert service.

If you are in charge of landscaping, or on the building committee, write on letterhead for detailed information or literature.

EUGENE HAUPT, *Manager*
Commercial Site Planting Dept.

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EXPERT CO.
Kent 15, Ohio
MARTIN L. DAVEY, JR.
President
THE OLDEST AND LARGEST TREE SAVING SERVICE IN THE WORLD
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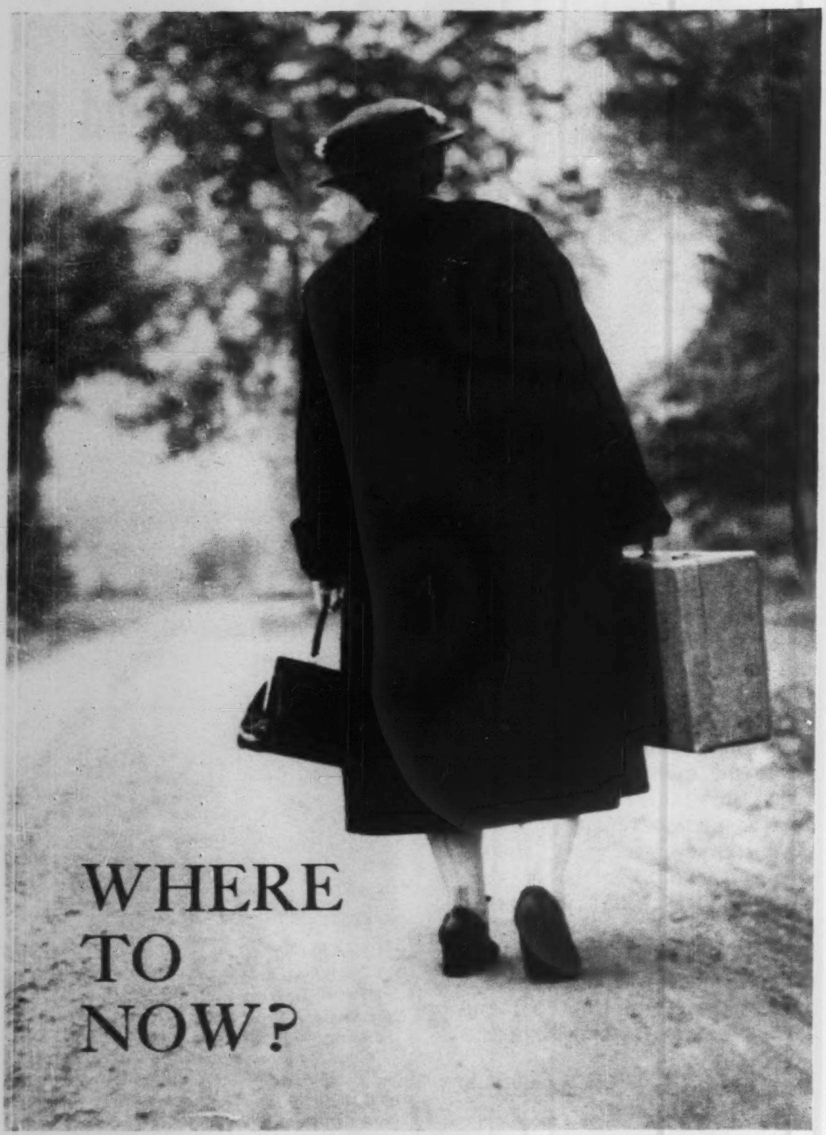

It is a tragic fact that more than half of the folks over 65 do not have the means to support themselves.

It is also a tragic fact that most of the homes caring for the aged are not self-supporting either.

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It can come only from people who have been made aware of the problem—and are concerned enough to do something about it.

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Does *your* group need money for a building fund, a school or hospital or for a home for the aged? Without obligation, one of our experienced Field Counsellors will be glad to make a study of, and prepare a Plan to meet *your* special problems. Write our office nearest you today!

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cept of the way in which he can best exercise his leadership, and within his immediate business community he must determine the scope of responsibility he is willing to assume. No executive of a major corporation today can escape the fact of his potential influence in his field.

The top executive also owes it to himself and his company to develop an effective relationship to the broader society of which all men are a part. In some particular segment of that society he has a responsibility to be an active participant, making a conscious and deliberate effort to change things through planning and action directed toward socially desirable goals. It is important for him to have horizons beyond a Board of Directors' table, to enrich his personality by thinking and acting in new fields, to trade his corporate experience for the experience and insights of other social groupings.

The Real Revolution

Roger M. Blough, Chairman, U.S. Steel Corp., at Bucknell University: People all around this globe today are hungering for the better way of life that can come only with new knowledge put to work, for the industrial know-how, for new agricultural methods that will enable them to feed their expanding populations, for the "how" of the goods and commercial skill that will allow them to compete for world markets, for the creativity of capital investment.

In this movement toward more things for more people, the acquisition of new knowledge is the real revolution, the one that counts most.

But it is not easy. The acquisition of new knowledge is a rugged experience, because it affects the patterns of people's lives. It creates apprehension among those affected—and even among those who think they will be affected.

Nor is the opposition to the industrial march of progress confined just to those who work with their hands. The owners of the buggy whip industry also suffered along with the workmen. But they were outdistanced by those who applied new knowledge in

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Economic Survival

Richard Miles, Director, Economics Division, British Information Services, to the National Industrial Conference Board: Even at a time when political pressures seem uppermost, it remains true that the ability of our Western world to handle sensibly its economic problems is a condition of survival. In the industrial countries of the West, there is no doubt that the outlook is good. But if we turn to the less-developed countries, those usually described as primary producers or "one crop" economies, the outlook is less good.

The problem is one of stepping up the purchasing power of these less-developed countries. It calls for investment—governmental and private. It also calls for trade. All the aid that we have given in any one recent year could be—and has been—offset by a mere 5% fall in primary product prices of these "one crop" economies.

We must not, therefore, close our doors to the products of these countries nor rule out the possibility of price stabilization plans for some commodities. We resort to such plans readily enough when our own products are concerned; we cannot, in the name of free enterprise, deny similar schemes to the producers of some of these overseas crops. Unless the industrial countries make strenuous effort to solve this problem, the prospects of the businessman who hopes to market his products abroad will be as dim as the political outlook in these countries if the "revolution of rising expectations" is too long frustrated. END

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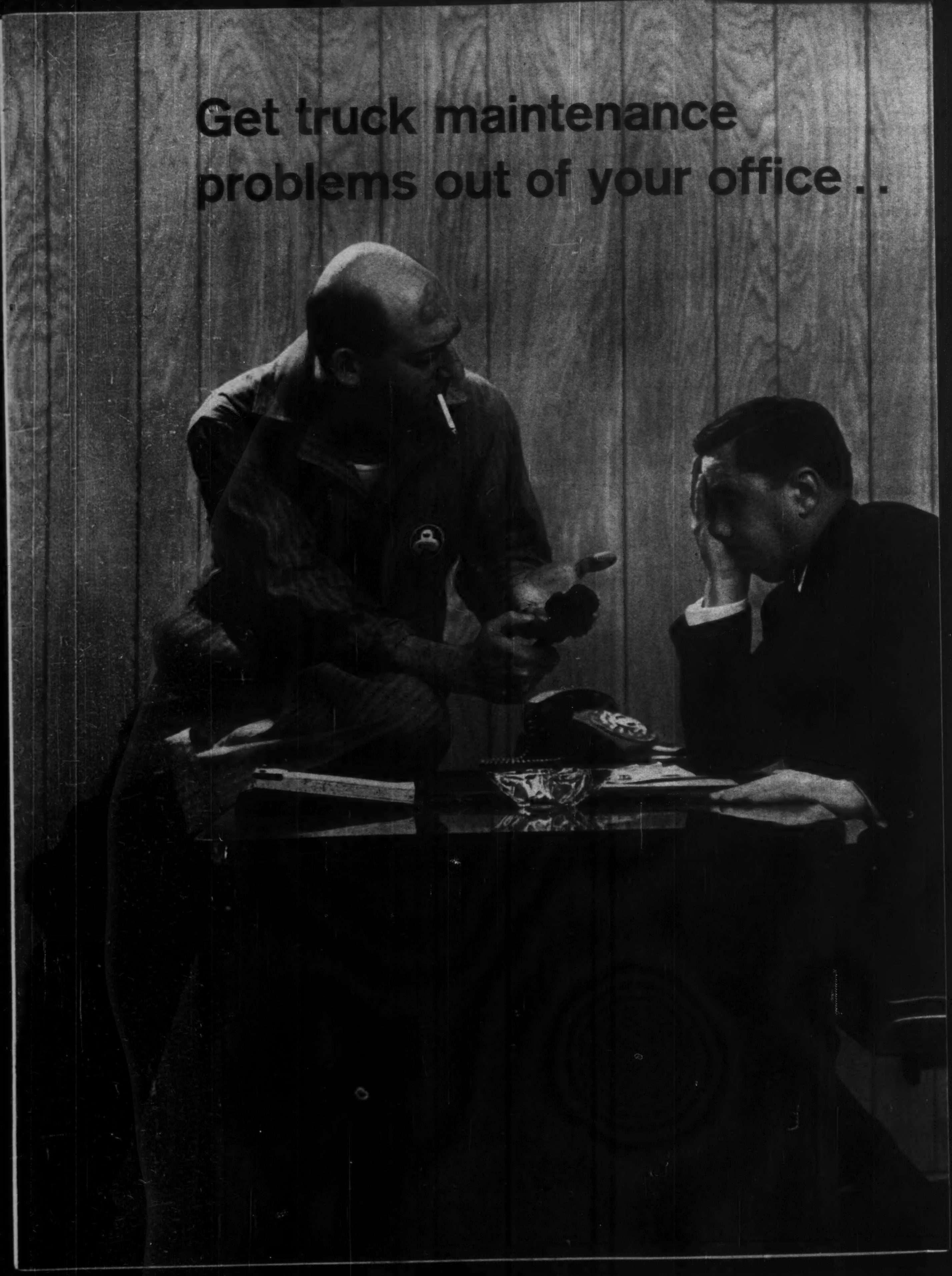
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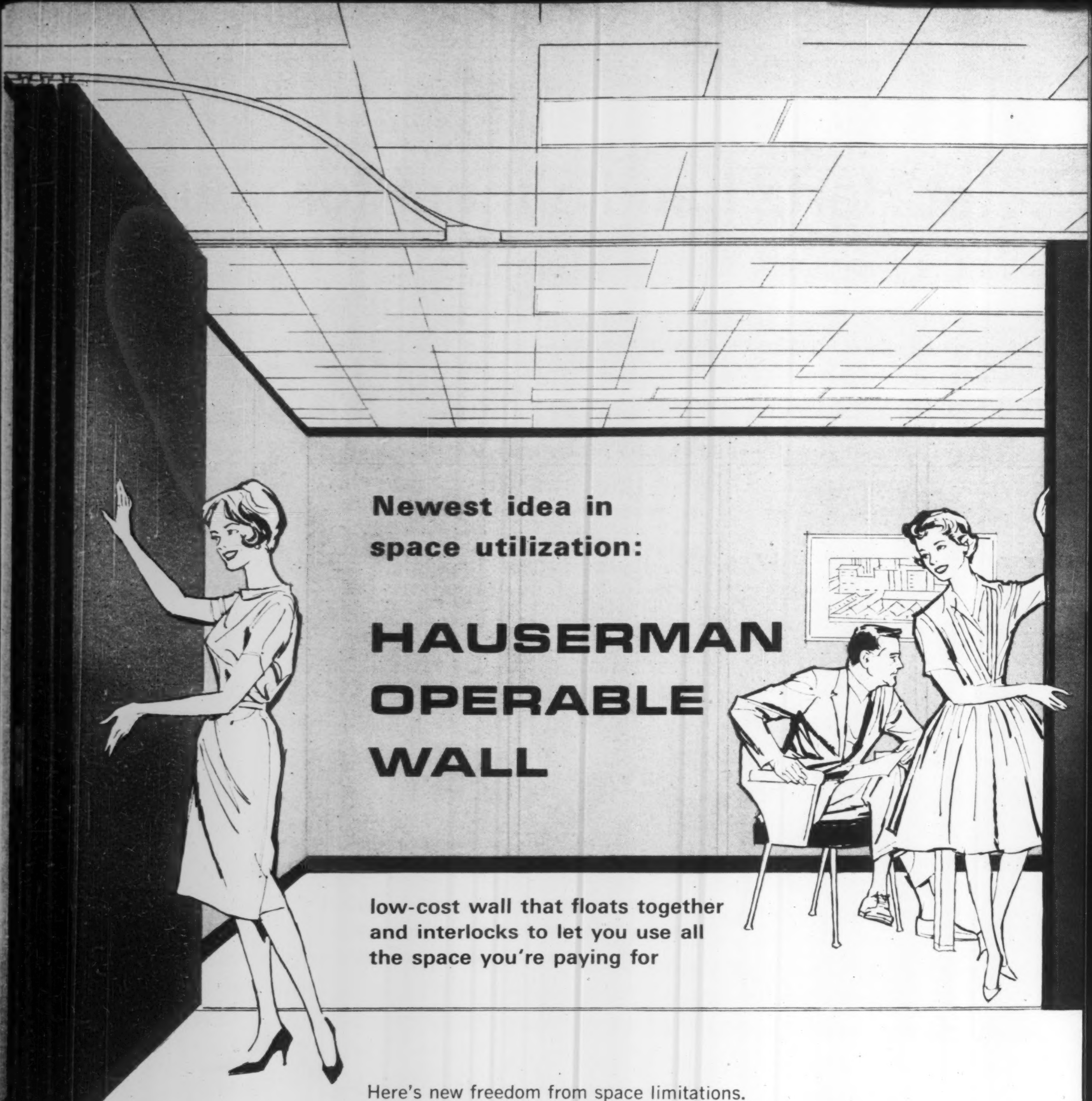

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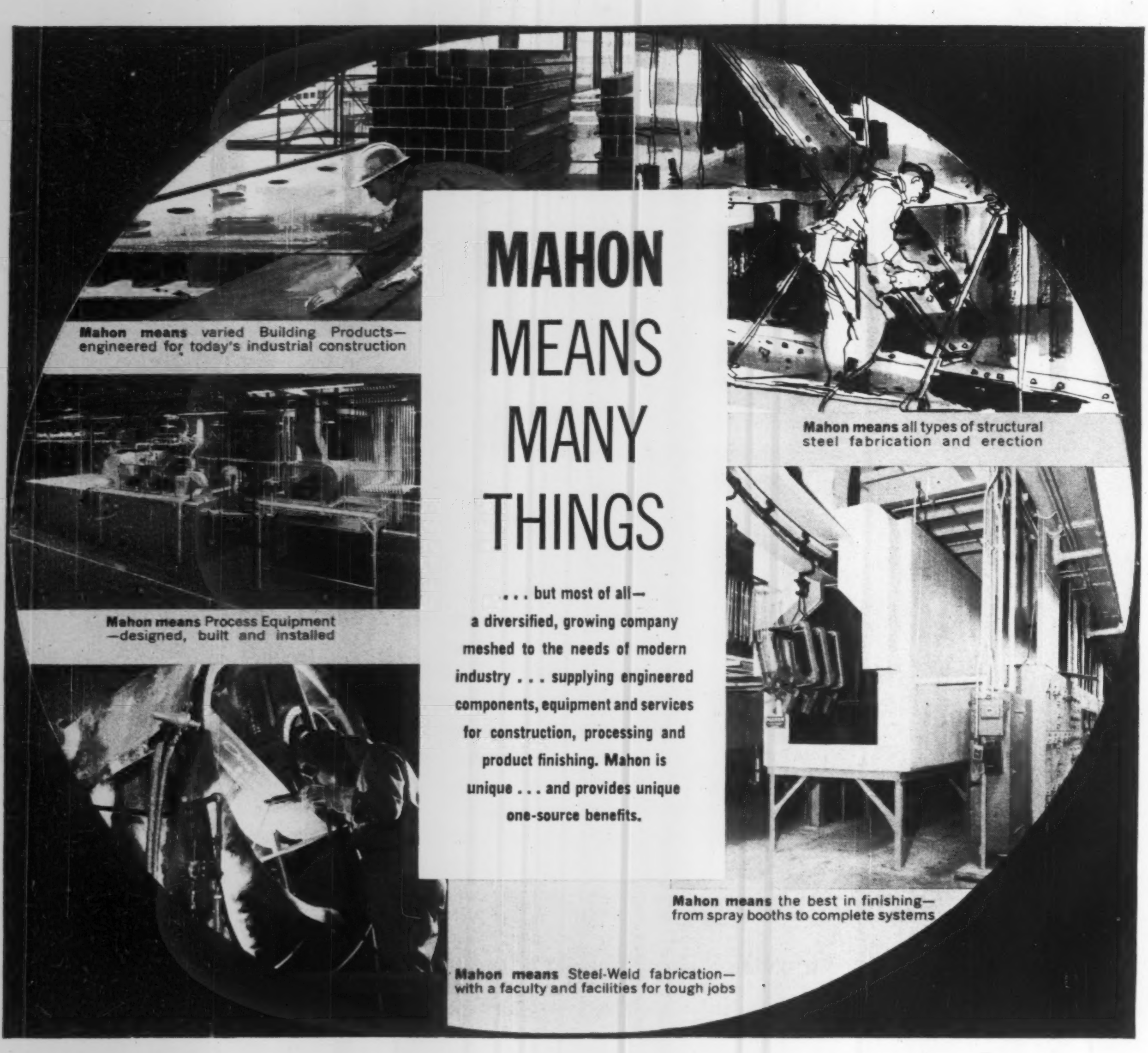

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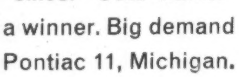

Electronic Components Division of The Deutsch Company, Banning, California. The three plant buildings cover a total area of 34,700 sq. ft. Two are 100′ x 140′ x 14′, the third is 20′ x 12′.

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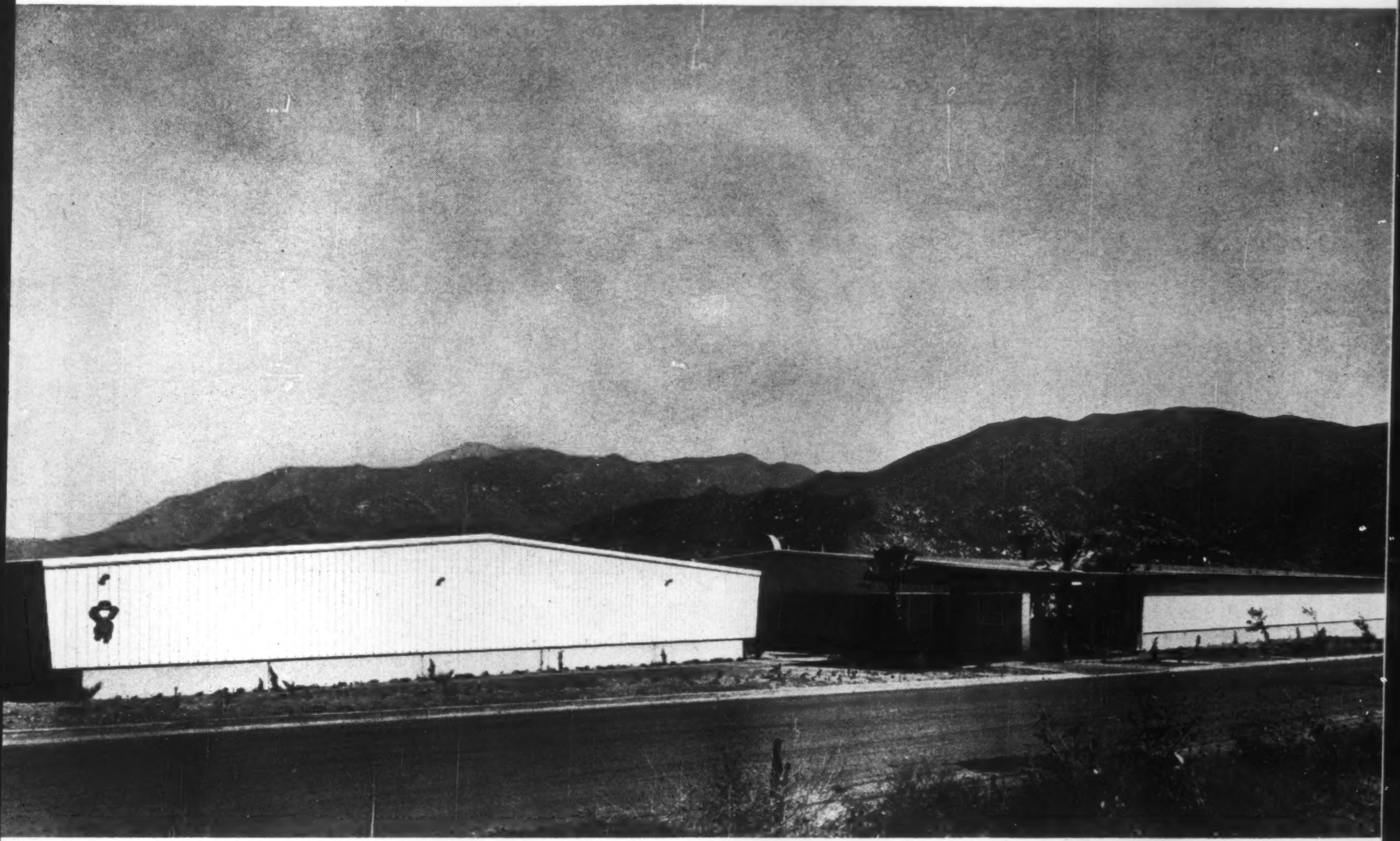

wide open spaces

Notice the steel pillar that supports the entrance canopy at this plant? It's the *only* one you'll see in the entire plant, because these *steel* buildings have clearspan construction. The supports are built into the walls, so there's no need to clutter up the interiors with a lot of posts and pillars. No wasted floor space. And these buildings are exceptionally strong and fire-resistant—will withstand wind, rain, hail or lightning.

Steel buildings are not only strong and permanent, but as you can see, they're good looking as well. Here, the walls and roofs are galvanized *steel* with the side walls painted. The main entrance is covered with stone veneer, glass and porcelain-enameled steel panels. Upkeep is practically nothing.

Edward H. Jones, Vice President and General Manager of The Deutsch Co., says, "We selected factory-built *steel* buildings because they can be erected fast, expanded to a larger size, and they have clearspan interiors." *Steel* buildings are versatile, and they save construction time and costs.

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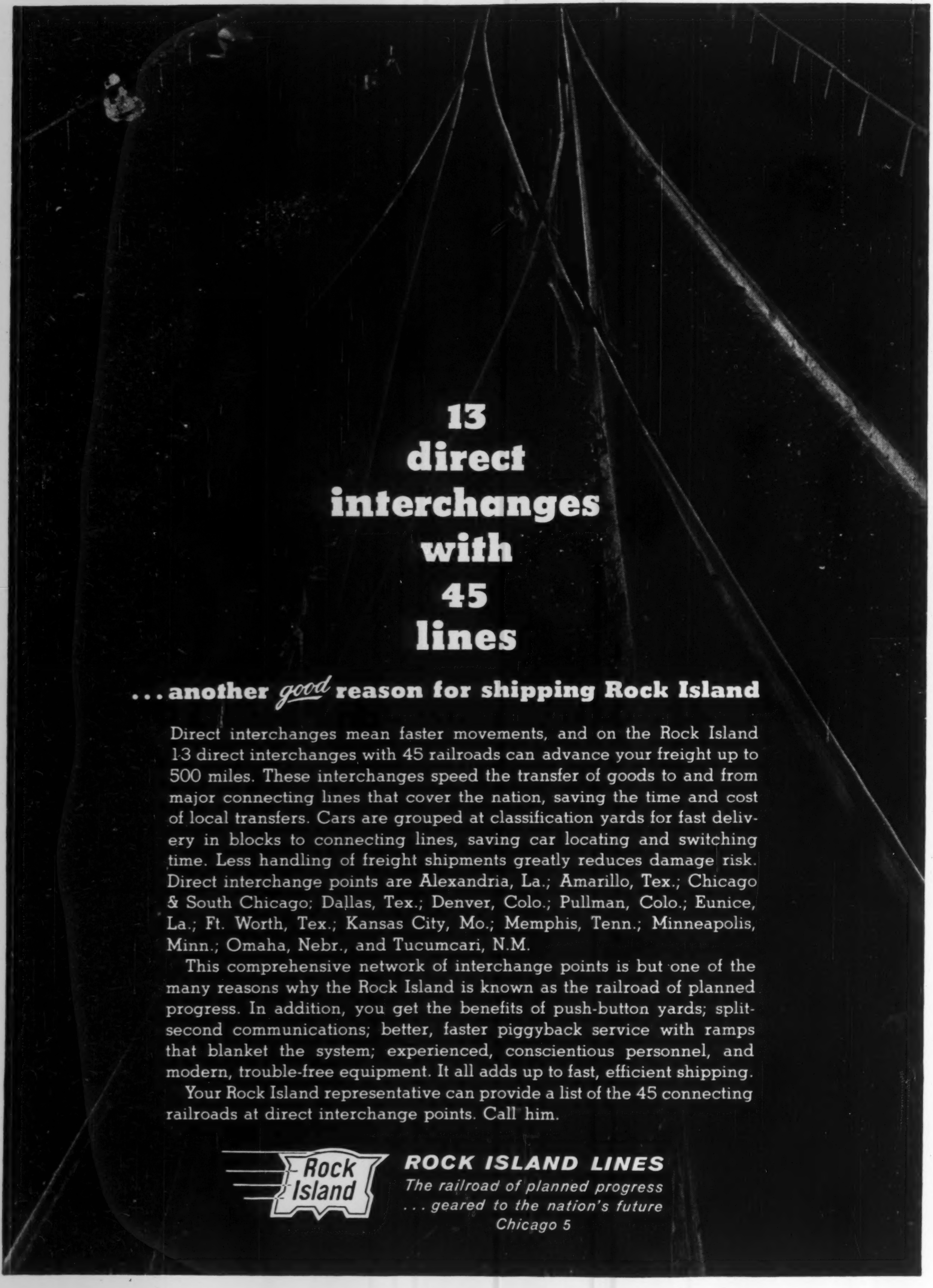

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DUN'S REVIEW
AND MODERN INDUSTRY
October 1961

EDITORIAL

Profit Sharing vs. Risk Taking

WHEN an enthusiastic labor leader was exulting over the profit-sharing package offered by American Motors, and proclaiming it as a pattern for the United Auto Workers' settlement with Ford and General Motors, he was asked, "What about Chrysler?" His comment was succinct, if somewhat deflated. "You can't," said the labor man, "share zero."

Of course not. Nobody wants any part of zero, no matter how big it is. That is the crux of the present profit-sharing question. And it means that labor now must share both the reward and the risk that are inherent in the capitalistic system. There is nothing new about profit sharing in industry, but for the auto workers it does represent a freshly paved road. The success or failure of the Romney experiment of "profit sharing without loss sharing" depends upon the perspective with which labor views its responsibility.

Wages, of course, come from skills at the bench or assembly line. Their justification is reflected in employee understanding as well as machine capacity. In contrast, profits come from management planning, engineering, sales and distribution. The enemies of profit in management are waste and extravagance in finance, production and distribution and poor judgment in dealing with people—whether employees, customers or stockholders. The enemies of profit among skilled labor are featherbedding, excessive worktime allowances, deliberately curtailed productivity, as well as jurisdictional and industry-wide strikes.

In effect, then, the economic sins of both management and labor reduce net income, increase prices and limit the margin for profits to be shared by all concerned, including the stockholder. Labor and the stockholder have a common interest in successful management because both are investors and consumers.

Labor risks time, energy and technical skills, and management risks time, money and talents—both for a common objective. The goal, however, is not coin of the realm alone. Both must accept the need for quality control, pride in product and a realization that corporate teamwork will benefit both parties to a contract that is made with integrity and candor. Much effort has been made to lessen the physical risk on the production line. Equal effort must be made by management and labor to reduce the hazard to the work flow and to insure the continuity of production necessary to pay wages and create profits. If labor has no desire to "share a zero" in profits, neither has management.

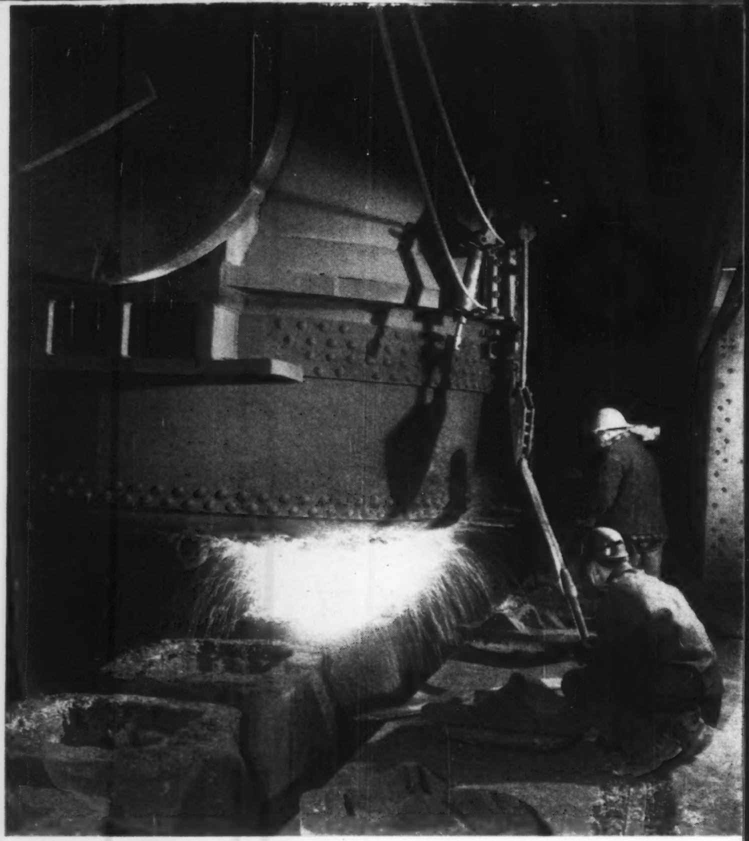
Not all labor leaders favor profit sharing, and with good reason. They contend in principle that the workingman's share belongs in his paycheck, fully calculated in advance, and never part of an "if" consideration. Many industrial leaders agree with this point of view, especially the Big Three in automaking.

It is difficult to distinguish between manager and worker in their Sunday best, or to pick their individual cars in the color melange of the parking lot. It should be just as difficult to pick them out by their sense of fair play when the creation of profits or progress is considered. Profit sharing calls for a contribution of good will on both sides, because without it there can be no social benefit or economic gain for either.

George Romney's idea may take its place with Henry Ford's $5 minimum daily wage as a pivotal date in economic history, but whether it succeeds or fails will depend upon the union's willingness to make the vital distinction between profit making and profit taking.

Which Way for Prices?

This is the question that has all businessmen on tenterhooks as the recession ends and costs start heading upward.



FOR many months now, executives of the nation's major industries have been engaged in one of the toughest sessions of cliff-hanging in the history of American business. They are, in fact, struggling with a management problem so elemental that is also one of the most difficult in the book. Simply put, it is this: Can we —or can we not—raise our prices?

An uncomplicated matter? Actually, the question stands at the top of a pyramid made up of a host of smaller, but far more complex, questions and problems. There is, for example, the problem of just how solid a base industry has built under its new, higher rate of production. And there is the excess capacity which is still bedeviling more than one industry, and could turn an individual price rise into a fatal management error.

Last, but hardly least, is one of the most important influences of all: the Government. As every businessman knows, prices no longer are governed by the strictly impartial laws of supply and demand in the market place. Now, the executive must also consider the Justice Department, which is liable to investigate almost any price increase, no matter how solid its merit or economic justification.

The whole question of if and when to move has become of vital concern not only to such basic industries as steel, copper, lumber and textiles. For a rise in their prices would come as a new higher cost to the customers who use their output.

Put them all together, and that one big question remains uppermost in every executive's mind: Just which way are prices headed? Will they rise enough to give needed relief to a large segment of business, or will the imponderables of politics and business cause them to stay just where they are?

Steel the key

The key element in the question, of course, is the steel mills of Pittsburgh. Whatever the steelmen decide to do will have a rapid and telling effect on the whole economy. For a steel price increase would quickly add to the costs of the car makers, construction men, appliance makers and hundreds of other industries which use steel in their business.

Since profit margins in many of those lines still are slender, a mark up in steel would add considerable pressure for a general round of price increases. As one consumer goods manufacturer bluntly puts it: "The moment steel goes up, everybody else will jump in and raise their prices. Naturally, they'll blame their price increase on steel's rise, but that won't necessarily be the real or the immediate reason for most of the increases."

Thus the steelmen are in a squeeze, one that is compounded by stern and growing pressure on them from Washington. In just the last few weeks President Kennedy has even gone so far as to ask them specifically—in public statements and in letters to the heads of the major companies—to hold their prices steady.

But steel's prices are not always so easily controllable. "Our prices," U.S. Steel's Chairman Roger Blough frankly states, "are determined by market conditions, costs and competition."

Those three factors have been putting a squeeze on Pittsburgh for a long time. Ever since 1958 the steelmen have found their market too weak and too uncertain for them to risk any substantial increases. In fact, they have even cut prices on such products as stainless steel and concrete reinforcing rods to meet the competition of foreign steelmakers and producers of other metals. In those same three years, however, they have had to meet the cost of three wage increases. And with the coming of autumn, they face the certainty of another wage increase—this month's automatic rise for the steelworkers, amounting to about 14 cents an hour in pay and fringe benefits.

At the same time, the steelmen may well question Washington's assertion that they can absorb the wage increase and still earn an adequate return (Washington's estimate for their fourth quarter: 7% to 15%) on their king-sized investment.

Pity the stockholders

In the first half of this year, for example, U.S. Steel was operating at a rate which would have brought it a return of roughly 5% on its stockholders' equity, a far cry from the 9% or better to which Steel's 274,900 stockholders have become accustomed. And in the second quarter of this year, the top eight steel companies managed to net a total of only $155.5 million, roughly a third of what U.S. Steel alone netted during the boom steel year of 1957.

Watching it all from the sidelines, the purchasing agents in company after company—the men whose jobs depend on making the right guess on these questions—believe the steelmen will eventually be forced to make a series of cautious, selective price increases. Pressed for a more definite estimate, most purchasing agents say that the increase probably will come shortly after the first of 1962 and will run to between 5% and 10%. They base this on several factors. First of all, steel's operating rate probably will rise from its present 70% of capacity to a more comfortable 80% by the end of the year. The steel men, however, will want to make certain that their rate will stay at that level, and thus will allow themselves added time before making up their output.

The added time will also give the steelmen a chance to join what may well become a parade toward higher prices. As many steelmen privately comment, they believe that price rises are coming in coal, zinc, tin and scrap iron. Particularly in scrap, they note, as the operating rate of the mills rises. And zinc and tin already have been edging up.

But the steelmen have right before them one sharp example of just how hard and how dangerous it is to raise prices. The aluminum industry in midsummer pushed through a series of selective price increases. At the time Richard Reynolds Jr., Reynolds Metals' president, said: "The aluminum industry's situation looks better now than at any time in the last two years. . . . I believe we ought to have better prices."

A couple of days later Aluminum Co. of America juggled its price list, and Reynolds and other producers jumped in with their changes. They all cut prices on a few lines, raised them on others. The net effect was an increase.

How could aluminum do this, while the steelmen hesitated? The reason is partly that the aluminum producers are not under the gun of Congress and the Justice Department as the steel industry is.

As it turned out, the Government's attitude did not matter. Hardly had the aluminum makers begun to look on their future with a bright eye, than the Aluminum Co. of America chopped the price of aluminum ingot from 26 cents a pound to 24 cents. Reynolds quickly followed.

Alcoa cited foreign competition. But others in the industry pointed to the high rate of production as a big factor in the price cuts.

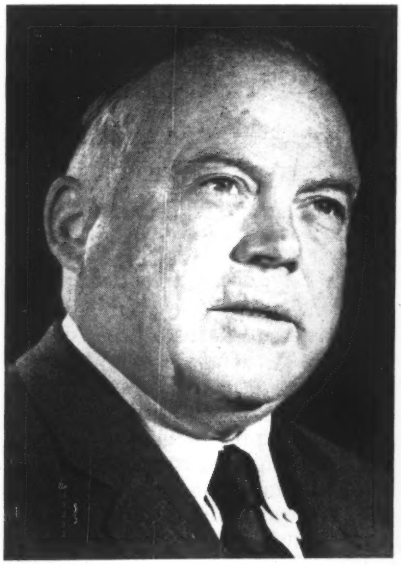
Another barometer

But there are gathering signs of rising prices in one key industry: paperboard, which many economists consider a prime barometer of the economic weather since it serves so many industries. Traditionally, the highly cyclical paper industry waits until it has a far higher operating rate than most other industries before it raises prices. By late summer, though, the paperboard mills had gone from 92% of capacity to 95%, and papermen had felt sufficiently emboldened to raise their prices by 10% to 14%.

To many knowledgeable papermen, it seemed as if that increase might be only the beginning. Even with higher price tags, backlogs were continuing to rise. And with those paperboard mills going so strong, the price of the scrap paper used as the raw material in many of them already had risen by $4 a ton, its first upturn in nearly a year.

Nor was that the only activity in the paper industry. Kraft paper, which goes into paper bags, shipping sacks, wrapping paper and other industrial packaging materials, quickened its pace early in autumn. Chairman Roy Ferguson of St. Regis Paper Co., third biggest in the industry, looked both at his fast-swelling order book and his own rising costs. So he took a logical step: up by $10 a ton went the price of the bleached and unbleached kraft paper, which had been cut by $20 a ton last April.

While St. Regis was the first company to raise the price, it was clear that it would not be the last. Com-



ALUMINUM'S Richard Reynolds got in price boost, then had to cut it.

STEELMEN like Smith of Inland also faced major problems if they moved.

mented President David L. Luke of the West Virginia Pulp and Paper Co.: "There has been a healthy increase in demand, and it is not surprising that long-needed price increases should follow."

The papermen were not the only executives who had mills working near capacity and prices rising. On the East Coast, for example, Alpha Portland Cement announced a price increase of 10 cents to 15 cents a barrel for its output. And in Denver, in an unrelated move, Ideal Cement's President Chris Robbins scheduled a 15-cent-a-barrel increase, effective January 1. With the cement mills still heading fast toward full capacity, it would surprise no one in the industry if further hikes came.

More boosts ahead

A somewhat similar situation appeared to be shaping up even in the long-depressed textile industry. True, the textilemen were hardly in any danger of reaching the state of near-capacity of either paperboard or cement. Nevertheless, the textilemakers have been able to work off much of the enormous inventory that lay over the industry like an ominous cloud, and their prices recently have been edging up. "They are," says one buyer flatly, "just sending up trial balloons —to see if the prices will stick."

Whether they will or not, the textilemen at least felt that they were in a position to make a test. That was a healthier state than they had been in for many months.

But what about the scores of other businesses which constitute American industry? There were signs that they, too, might be on the verge of marking up their wares. Prices for non-ferrous metals, for example, the raw material for thousands of metalworking plants all over the nation, have gradually been rising. Electronic components for countless types of industrial equipment see-sawed all summer, but the net effect was a slow increase.

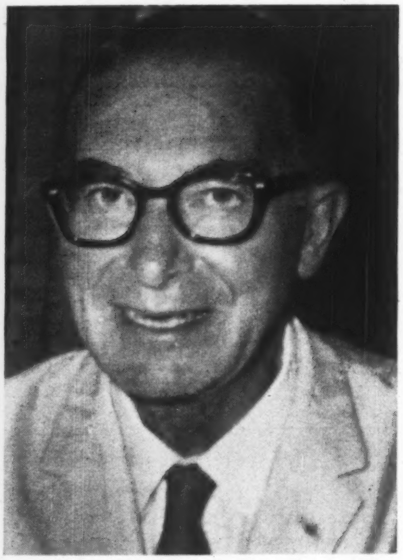
There were other industries, of course, which did not rebound quickly from the effects of the recession. For them the strategy has been one of watch-and-wait. And that meant watching their profit margins shrink while they waited for exactly the right moment to bolster profits with a price increase.

"Officially," notes an executive of one big tire-producing company, "there were few if any price cuts in our business, either this year or last. But unofficially, the price concessions we've had to allow have been almost demoralizing." By early autumn, though, the rubber industry was rolling along in much better shape, though it still had made no move to improve its prices.

That situation was true of many industries. Increased wages alone were putting stiff pressure on many prices, but it was not as relentless as it first seemed. For the 1960 recession, as did the other postwar dips, taught industry some new cost-cutting techniques. Pushed by slipping sales, businessmen had automated both their plants and their offices, so that they were able to trim their work forces. As a result, the higher degree of efficiency which they achieved in the lean days now was enabling them to hold the line on prices.

In large measure, of course, their reluctance also stemmed from the threat of Government intervention. Senator Kefauver is already on record as saying that his Senate Antitrust & Monopoly Subcommittee will investigate the steel industry if it raises prices. And Attorney General Robert Kennedy's Justice Department, which has been busy probing into the drug industry, is not likely to pass up any opportunity to look into steel.

PROBES would be answer of Attorney General Kennedy to big price rises.



KEFAUVER also threatens to investigate any price increases by steelmen.

Yet as more than one businessman points out, even that threat may not succeed entirely in keeping the lid on prices. "We have had months of 'jawbone control' from Washington," notes one executive, "with the Administration and Congress trying to hold down prices with threats like Senator Kefauver's against the steel industry. But short of real controls, there's nothing in the world Washington can do to hold down prices when they're under the kind of pressure they're getting now."

The workings of wage costs and of supply-and-demand were not the only factors to be considered. "There's a common-sense problem," notes this same executive. "The Treasury needs money to fund increased government programs. And it won't get those big tax revenues unless corporations have a decent profit margin—one that most industries will be able to achieve only if they can raise prices."

Ironically, it is the Government which is putting no small amount of pressure on industry's pricing structure. More than $2.2 billion is being fed into the economy through the Berlin-inspired increases in Washington's military spending. Many economists doubt that the economy can take so large an infusion of credit without setting off another wage-price spiral. So in the long run, it looks very much as if Washington, its committees to the contrary, might well force industry into the very price increases it was doing its best to control.

—JOHN MAUGHAN

Those Perilous Executive Exercises

Sound health insurance—or flirtation with physical disaster? For the executive in his middle years, exercise can be either. Yet its dangers are unknown to many businessmen. Here are the facts about the safe way to keep in condition.

FOR many a hard-driving businessman in his forties and beyond, the most worrisome of personal health problems can be summed up in just five words: how to keep in condition. Burdened by a punishing workload, the executive needs to stay in top physical condition just to stand the pace and pressure of modern business. Yet, as the years go by, he must increasingly face up to the fact that the business way of life takes a heavy toll of energy and muscle tone, saps physical resources, and robs a man of the very stamina he must have to succeed.

To this dilemma there seems to be only one possible answer: exercise. But here the executive in even his mid-thirties confronts the most baffling conundrum of all. On one side, there are the well-known virtues of exercise as a physical conditioner and aid to weight control. On the other, there are ominous medical warnings that too much exercise can hurt. As one top medical authority warns: "The typical executive thinks he knows the facts about exercise, and he's sure he knows what his own body will stand. More often than not, he's dangerously wrong on both counts."

The worst mistake an executive can make about exercise, of course, is suddenly going in for strenuous competitive sports after years of sedentary office work. Nowadays, most businessmen are well aware that such a course is dangerous. However, most of them believe deeply in competitive sports as a physical tonic for the man "in condition."

A sound assumption? Hardly. Listen to Dr. Harry J. Johnson, president of New York's Life Extension Examiners. "Sports like tennis, squash and handball," says Dr. Johnson solemnly, "should not be started by the middle-aged executive, *no matter what his condition may be;* they are far too demanding."

This view is echoed by one of the top executives of a national health chain. "Among our half-million members," he notes, "we have about 50,000 middle-aged executives. We actually discourage them from participating in competitive sports. No matter how much time a man has spent conditioning himself, such games place uneven demands upon the system.

"Take tennis," adds this muscular executive, who is himself a former physical instructor. "Some people consider it a 'sissy' sport. But at Harvard's Fatigue Laboratory it has been shown that you burn calories at the rate of 4,000 an hour when smashing that little ball across the net.

"Following that, there's a moment of rest while the volley's returned—then another blast at 4,000 calories per. What happens is that energy gets released explosively—in bursts. Only a man in very top physical condition can tolerate such staccato demands on his system."

The moral is plain. Such games are not physical conditioners and never were meant to be. Indeed, for the executive in his forties they are apt to be risky sport. And from age fifty on, they should be taboo.

Even the seemingly harmless setting-up exercises that so many businessmen faithfully follow, reports Dr. Johnson, can have damaging results. For example, that old remedy for an expanding waistline, touching the toes without bending the knees, can result in back sprain. It can bring on anything from abdominal strain to a serious heart attack.

Worse still are pull-ups or chin-ups. "Imagine," says one physical culture specialist, "a man walking into a gym for the first time in years and trying to lift a barbell equal to his own weight. Patently ridiculous.

"Yet there's no substantial difference in trying to pull up your own weight on a high bar. The chance of injury is just as great."

What about simple calisthenics? Again, the word from the experts is caution. Too many repetitions, they insist, may be perilous. One executive, recalls Dr. Johnson, did 100 jumping jacks, despite a warning chest pain after the fiftieth repetition. The upshot: "classical symptoms of coronary insufficiency" — in layman's terms, a mild heart attack.

As if the health risks were not enough, the executive who turns to exercise to check a middle-aged paunch must face another discouraging fact. Those exercises in which he places so much stock may simply not work without expert supervision.

Just how important is supervision? The medical answer is startling. "Take two executives of the same age and condition," notes one doctor. "Give them the identical exercise program, but leave one unsupervised. Six months later there can be a marked difference in results."

There are many explanations for this divergence. For example, an executive performing unsupervised exercise may start off by working one muscle group, such as the legs. Then he moves on to an arm and shoulder exercise. A supervisor would insist on following the leg exercise with a workout of adjoining muscle groups in the waist and trunk. Otherwise, the benefits of the workout are partly dissipated.

Considering its hazards and possible disappointments, the businessman can hardly be blamed for wondering whether he should forget about exercise entirely. That question, though, is soon answered. For, in the universal opinion of the experts, exercise is vital for the chairborne executive.

For proof, consider the research findings of Dr. Alvan L. Barach, emeritus professor of clinical medicine at the College of Physicians and Surgeons in New York.

Studying a number of elderly bedridden patients, Dr. Barach observed symptoms ranging from muscular atrophy to progressive impairment of the respiratory and cardiac systems —all directly due to lack of exercise. "A life that includes some *hazards*," Dr. Barach reports, "seems to be a requisite for many mature men."

In other words, and despite the risks, exercise is a must. But what kind of exercise? And how much?

Admittedly, finding the time for exercise is a problem in itself. Health authorities would order the businessman to make time, if possible—or steal it. Fortunately, though, a simple answer is at hand that requires no special apparatus or equipment. It is nothing more taxing than walking.

Absurd? Not in the least, says Dr. Johnson. Walking, he points out, is the most practical exercise for the executive who insists he has not got time for a formal exercise program. "Just three times a day, 15 minutes each time," Dr. Johnson suggests, "would make an acceptable minimum."

But what does walking really do for the executive? Listen to Dr. Bruno Balke of the Civil Aeromedical Research Institute of the Federal Aviation Agency. "Middle-aged men with sedentary living habits," says he, "improved their functional capacities by 25% as the result of a ten-week course of daily workouts, each of 30 minutes to 40 minutes duration, consisting of alternating trotting and walking."

For still more spectacular results, the executive can turn to a properly supervised exercise program. And for sheer effectiveness, most authorities agree, nothing can top a regular workout in the pool. The reason is summed up by Logan S. Mundt, physical director of the West Side YMCA in New York City, which recently launched a widely publicized reconditioning program for middle-aged men.

"Almost all sedentary men," says Mundt, "lack physical stamina or endurance. This can usually be traced to gradual decline of the circulatory system, particularly the capillaries. Swimming—even running or walking —opens up the capillaries by putting special demands on breathing. By working up heat through exercise, the capillaries expand, distributing more blood and oxygen throughout the body." Supervised weight training and calisthenics, Mundt adds, can produce astonishing results *as supplements* to swimming.

GYM workouts can safely build strength when properly supervised.

Given that all-important supervision, in fact, exercise can work wonders. One 54-year-old executive, for example, who works out regularly at a gymnasium under expert supervision, can today comfortably lift a heavier weight than he could at the age of sixteen.

For the executive who wants to make the most of his physical capacities, such results may well seem worth going after in earnest. For all that, though, he should heed the warning of Charles B. Wilkinson, special consultant to President Kennedy on physical fitness. "Don't try to remake in a week's time," says Wilkinson, "a body that took years to wreck."

—J.J.F.

Are Automated Warehouses Worth It?

They were oversold to start with, and a dozen of them failed. But industry is learning from the failures, and the pressures to automate are growing stronger every day.

"ALL we want for Gertrude is $50,000. She's fully debugged and she works like mad. Businessmen come from all over to look at her—but nobody wants to buy her."

This is President Elmer V. Staude of Brunswig Drug Co., a $78-million-a-year West Coast drug and toiletries wholesaler, lamenting over the record of an automatic order-picking system installed in its central warehouse in Los Angeles just three years ago. "Gertrude," which has never lost the code name given it when the machine was still a business secret, cost the company $300,000. She was hailed in 1958 as the latest thing in the application of automation techniques to warehousing. Today she stands idle, a victim of economic change.

Second thoughts

Gertrude has a dozen sisters standing around the country set to give second thought to the hundreds of businessmen who still believe salvation lies in speedy and thorough automation of their expensive warehouse operations. Together, they could very well stall progress in this special but vital area of automation, as businessmen worry whether they are worth the risk.

"If that happened it would be a disaster for American business," says one of the nation's top warehousing consultants, Joseph Harrington of Arthur D. Little, Inc. "To hold down the frightening cost of getting goods to the customer, we must mechanize the warehouse operation where possible. Thank God for pioneers who are willing to experiment."

There is no denying that several of those pioneers have been hurt by first ventures into this new field. Such cases are in the tradition of American industry; a natural counterpart of its inventiveness and initiative. Nor is there any denying that the automation of warehouses is a business still in its infancy. If some of the pioneers get hurt, the net result is a host of valuable lessons for industry as a whole.

What went wrong in "Gertrude's" case was the inability to adapt to sudden change. Brunswig Drug, the major drugs and toiletries wholesaler in Los Angeles County, operated there in the 1950s from one central warehouse. Says Staude: "Labor, particularly in order-picking, was our highest business cost. An automatic order-picker appeared to be our salvation."

But by the time the highly intricate system was installed in 1958, Brunswig's distribution pattern was changing fast. Small drug wholesalers offering only the fast-moving goods were springing up all over Los Angeles. To meet this toughening competition Brunswig had to open one branch warehouse after another. The volume of goods handled by "Gertrude" in the central warehouse dropped steadily. Late last year it no longer paid Brunswig to run this machine.

It is certainly easy to see what drove Brunswig and other companies to build highly mechanized warehouses, and what, despite the failures, drives hundreds of other businessmen to mechanize warehouses (not one is anywhere near "fully automated") for their own companies.

Well over half—an average of 59 cents—of each dollar the consumer spends on goods goes to meet the cost of distribution. In some industries this cost rises to 80 cents out of each dollar. And the costs are going to get steeper. Warehouse labor is generally paid less than workers on production lines, but warehousemen's pay scales are rising fast, and the new minimum wage levels will drive up warehousing costs faster than production costs.

Push to automate

There are other hard pressures pushing businessmen to look for better ways of running their warehouses.

For instance, retailers in dozens of different industries are trying their best to keep their own inventories low. The result is an increasing demand for speedy deliveries from the wholesalers and manufacturers.

"Our customers always want everything the next day," says President Maurice Saltzman of Bobbie Brooks, Inc., the Cleveland-based $50-million-a-year women's garment maker. His company not long ago mechanized its central warehouse but did not cram it entirely full of automated equipment. This deliberate half-measure seems to leave the operation more flexible; yet orders now go out in a matter of hours compared with the days needed under the old system. And the cost of handling orders is down by 50%.

Retailers' pressure for lower inventories also means much higher volume in distributors' warehouses, as retailers give only minimum-quantity orders. Thus even a distributor doing just the same dollar volume of business that he did a couple of years ago is now forced to handle a lot more shipping cases. Big, diversified Johnson & Johnson, squeezed by this pressure as well as by its generally higher business volume, has lately been forced to scrap its "modern" order-picking system—only four years old—and turn to one that is much more highly mechanized.

Link to computers

If the retailers are doing all they can to cut their inventories, so are the distributors, wholesalers and manufacturers. Nobody wants his cash tied up too long in unsold goods. And one way these businessmen are able to cut their own inventories is through improved warehousing. Manufacturers need to know from moment to moment that they have exactly enough goods in inventory. And if they are to keep inventories at just the right level, they need to link the production and warehousing together in one fast-paced system that will keep everything in balance.

This is just the promise of these new warehousing systems. Their designers are adding computers to the machinery they install, and the computers keep track of inventories and flash messages back to the production lines whenever inventories begin getting depleted or overloaded.

President Allen Harvey of Dasol Corp., engineering consultants, holds that this whole combination is one of the greatest advantages of the sophisticated systems. "When these warehouses become common," he says, "I expect the national inventory of finished unsold goods will drop by 50%."

Another warehouse problem is labor. Warehouse employees are low paid and not usually the most reliable of workers. Idlers are common, pilferers frequent among them. Warehouse machinery, of course, cannot goldbrick or steal. Nor is it bothered when set to work in difficult conditions, handling toxic products or working under refrigeration or in nearly total darkness (as in photographic supply warehouses). And once a mechanized warehouse system is set up, errors in order-picking drop significantly.

Climbing land values and construction costs also increase the pressure for more efficiently mechanized systems. This combination puts a space squeeze on companies that need plenty of room for their warehouses. So J&J, for one, cheerfully paid out well over $600,000 for its ADMOS (Automatic Device for Mechanized Order Selection) order-picking systems.

Had it stuck to its old semi-mechanized order-picking system it probably would have had to build at least another 30,000 square feet of warehouse space—and at $10 a square foot for construction costs this alone would have added up to $300,000.

For all those reasons, businessmen in scores of industries are anxiously searching for the best kind of mechanized warehouse system—despite the failures among the pioneers. Manufacturers with broad lines of products, like International Latex, Colgate Palmolive, Genesco Corp. or Eli Lilly, are installing different varieties of the new systems. Carriers as varied as United Parcel Service, United Airlines (for baggage handling) and the U.S. Post Office are trying them. Retailers running widespread chains of stores, like Diana Stores, Inc. or Mangel Stores Corp., find they need the systems, too.

The pioneers among them have found that the worst that can happen is that the system simply does not work. That is what happened with the now infamous automated post office in Providence, R.I., which opened with great fanfare a year ago and now fumbles along with more workers than the office it replaced.

More often the new systems run well enough but are oversupplied with unnecessary extras. One of Johnson & Johnson's two ADMOS systems had built into it a closed-circuit television camera. This added to the cost of the whole system, but it is no longer used—because it is unnecessary.

But the story is not always so negative. The machines work well enough, but it costs a lot more to install and maintain them than anyone ever imagined. And for this the men who advise management on the machines and who design, make and install them say the blame can often be traced right back to the executive suites of the companies that buy them.

"The major reason why these companies run aground in warehousing," says Dasol's Allen Harvey, "is that they simply don't understand their problems. Either they make no study of their business needs or else the study they make is a committee-inhibited compromise. They come to consultants like myself with half-baked solutions to their basic problems and then expect us to advise them on the kind of hardware they need to fit their solutions.

"Most businessmen," adds Harvey, "just don't recognize that the function of distribution is where such vital forces as market forecasting, merchandising and production all mesh. And because they're blind to their own needs, most companies' plans for automating their warehouses go awry."

Strong words, but they get backing from many other consultants. Richard H. Tatlow, president of Abbott, Merkt & Co., says: "Too many people buying so-called automatic warehouses are just trying to be heroes. They face terrific problems in distribution so they look for some single machine or 'no hands' system that will solve all their problems. Once they think they've found it, they fall in love with it. The idea of having their beloved machine becomes a reflection of their own egos. You can't talk them out of it, even when you show them on paper that a simpler manual or semi-automatic system would be cheaper and more flexible."

False starts

Starting off on the wrong foot can produce a flop, too. Says J. Drury Sheahan, of Drake, Startzman, Sheahan & Barclay, a group of warehouse engineers: "The commonest mistake is putting up the warehouse building before the mechanical handling system is designed. Architects and construction engineers generally allocate too much or too little space, put the building's supporting columns in the wrong places or put them too close together. The right way to approach it is to lay out and design the equipment and the automatic system first, then just build an adequate 'umbrella' over it."

Despite the dangers and the record of failures that has built up in the last couple of years, there are plenty

DOWN CHUTES from stockpiles come products to meet orders from all over the nation in book-publishing Macmillan Co.'s new semi-automated warehouse.

of signs that U.S. business is still ready—if cautiously—to put its money into these new warehousing systems. And the search goes on for more and more adaptability in the systems. F.W. Woolworth Co. has looked at dozens of automated systems for its three massive and busy regional warehouses in the U.S. "But," says one Woolworth official, "we haven't found one we can afford that will handle our wide lines of low-priced merchandise. Companies that handle high-priced goods can justify automation now, and we're hopeful something will filter down to us from their experiences."

Gradually, the lessons of the pioneers in this new field *are* filtering through industry. Here is the advice some of them give:

- Macmillan Co.'s Vice President Joseph B. Bennett Jr.: "Keep the system as simple as possible. There isn't anything in our mechanized setup (a book-distributing center at Riverside, N.J.) that can't be understood by an employee with no more than an eighth-grade education."
- Brunswig Drug's Staude: "Be prepared to pay double or triple what you budgeted for installation, employee training and 'debugging' expenses."
- Diana Stores' Vice President Robert Greenberg: "Build on one level if it's possible. All sorts of devices are available for carrying goods from one floor to another, and we have them in our multi-story center. But there's nothing that can match the efficiency and flexibility of a one-story operation."

Experts' words

And the experts in the business add their advice:

"Make sure your present system is as efficient as possible before deciding to abandon it in favor of a mechanized one," says Burr W. Hupp, partner in Drake, Startzman, Sheahan & Barclay. "Sometimes a small effort can so improve a present warehouse setup that costly mechanization simply won't pay off."

Hupp tells of one household products maker who called in his firm to cure a sick warehouse. Analysis showed half the goods were moved efficiently on pallets, the rest picked at high cost in less-than-pallet loads. The solution: no machinery, just a change in salesmen's instructions. They were told what size order made a pallet load for each item. Usually, the customers did not mind ordering, say, the eighteen cases that fitted on a pallet instead of the usual fifteen or twenty. Case-by-case picking fell sharply.

"Don't order an automated warehouse if it won't pay off in four years, preferably less," advises Edward A. Skae, president of Admos, Inc. "Technical progress in this field is so rapid that within five years the most modern system today will look like horse-and-buggy equipment."

Drury Sheahan puts the situation in focus: "Five years ago U.S. business was hit hard by pushbutton-warehouse fever. Wild claims were taken as gospel. The automatic equipment has seldom produced the economies forecast for it. Now, I think, U.S. businessmen are better prepared to modernize this end of their business on a sound basis, though there are still going to be some million-dollar disasters. Unhappily, automated warehousing has suffered more from its friends than its enemies."

—Melvin Mandell

How To Make the Top

Few of the old breed of entrepreneurs lead the nation's big companies today. Business, more complex, turns to more complex men for the top jobs.

BACK in the days of World War I, one of the brightest sixteen-year-olds ever to clerk at the National Lead Co. was Joseph A. Martino. He was, as it turned out, bright enough to become a tycoon in the paint and lead business. He is now chief executive officer of National Lead—one of the biggest jobs in industry today.

According to the storybook tradition, starting at the bottom is the way a bright young man makes his way to the top. The reality behind that tradition, however, has been dying for decades. The increasing complexities of business today call for the man who is trained to run vast chemical plants, who understands the workings of the "little black box" of electronics, or who can engineer the mass purchasing power that big business must have to survive today.

Which way to go?

That being so, just which path should the ambitious man take to reach the chief executive's job in a 300,000-man General Motors or a 225,000-man U.S. Steel Corp.? Should he concentrate on merchandising in this age of the "hard sell"? Or should he develop his technical skills, cognizant of the fact that this is a time when the biggest profits of all may well be floating in outer space?

As a DUN'S REVIEW survey of the 200 top companies in American industry shows, there is one proven way to reach the top. Specialization or not, and technological progress notwithstanding, the findings show that the man who has the best chance of making the penultimate top is one whose specialty is general management.

No less than 18.5% of the men who rule the 250 largest companies in America today came up by that route.

While that may not be overly surprising even in an age of specialization, one other finding in the survey is: the self-made man, without education or training, would seem to have very little chance of reaching the top these days. Of all the men in the survey, and spot checks show that these conclusions hold true for most of industry, only a minuscule 5% really started out in, say, small clerical jobs. The man like Harold Blancke, who started as a bookkeeper and rose to become the head of the $371.3 million (gross property) Celanese Corp. of America, has truly become the vanishing American on the industrial scene.

His place is being taken, then, by the man whose training enables him to start out at least a rung or two higher on the advancement ladder. GE's Ralph Cordiner, for example, went from Whitman College to join the Pacific Power & Light Co. as a commercial district manager.

Is management today really that complex? One indication that it is comes from the second most popular man business picks to fill its top spot. If he is not in general management, the executive succeeds best if he holds an engineering degree. Industry is replete with the names of men who have that background, and their numbers are just a shade behind those of the managers.

Even without an engineering degree, though, an executive with legal training has nearly a good chance of becoming the chief executive officer. At the rate business has been putting itself into the hands of its lawyers, in fact, it seems certain that in the next few years the legal men will come even closer to edging out the engineers for the second spot in the executive suite sweepstakes.

The reliance on lawyers as top management is easily explained. More than ever before, business must look on the Government as its not-so-silent partner. So it is only logical that it appoints a lawyer as its top man.

Too, the lawyer himself often receives the opportunity to move right in at the top. Many mining companies are headed by engineers, but Phelps Dodge's chief is Robert G. Page. Reason? As a member of Phelps Dodge's law firm, Page got to know the copper company's problems at an extremely high level of management, and he was the logical man to head it.

In any appraisal of the DUN'S REVIEW survey, however, one fact becomes clear: it cannot be considered as a definitive study, good for many years in the future. The needs of industry keep shifting every day, and with them the type of man who heads it up. Not too many years ago, it was the entrepreneur who founded his own company who was the acknowledged leader of industry.

After the entrepreneur came the production man, the Charlie Wilson who knew the secrets of mass-produc-

MAVERICK Harold Blancke of Celanese started at the bottom to reach top job.

EXAMPLE of financial man who makes the top is Olin Mathieson's Osborne.

ing the cars, refrigerators and other products which America demanded. Now they have given way, as the economy has moved into the stage in which the most vital need is to distribute and sell the goods which the production men made possible.

In theory, then, American industry today should be headed by the mass merchandisers, the so-called "engineers of consent" who can sway millions to buy their wares. So few of them head corporations, though, that they are in the "other" category.

Even Colgate-Palmolive, in the soap business which depends almost solely on merchandising and advertising, is headed up by accountant G. H. Lesch.

The salesmen have fared nearly as badly in winning high executive honors. True, they head 11.5% of the companies. Yet that is not a particularly strong showing when it is considered that the out-and-out scientists, comparatively recent contenders for top management honors, already stand at the head of 5% of the 200 leading companies.

Yet from their ranks the salesmen have produced such outstanding chief executives as Thomas B. McCabe, who has made Scott Paper a true "growth" company.

Is there a reason why the salesmen, the prime movers of goods and services, have lagged so badly behind? "It's really quite simple," notes one chief executive. "The good salesman spends much of his time on the outside, so that he doesn't get that knowledge of the inner workings of a company that you need to reach the top."

If the merchandisers and salesmen appear destined never to come into their own, what career offers the best way to the top in the future? Although the managers and engineers will probably hold their lead, the financial men have been moving up noticeably fast in the past few years.

Comparatively recently, for example, two of the nation's three biggest car companies decided to place their destinies in the hands of the financial men, and for two widely different reasons. At Chrysler, Lynn Townsend obviously was picked as the man to cure Chrysler of its financial ills. GM, on the other hand, with a walloping $2.9 billion in working capital, its highest ever, needed financial man Frederick Donner to show it how to put that money to work.

The financial men also have the specialty that makes them come the closest to being the modern-day counterpart of the old-time entrepreneur. Probably only former Wall Streeter Cloud Wampler could have brought Carrier Corp. to its present eminence. When Olin Mathieson was in trouble, it called on Stanley de Jongh Osborne to straighten out its tangled skeins.

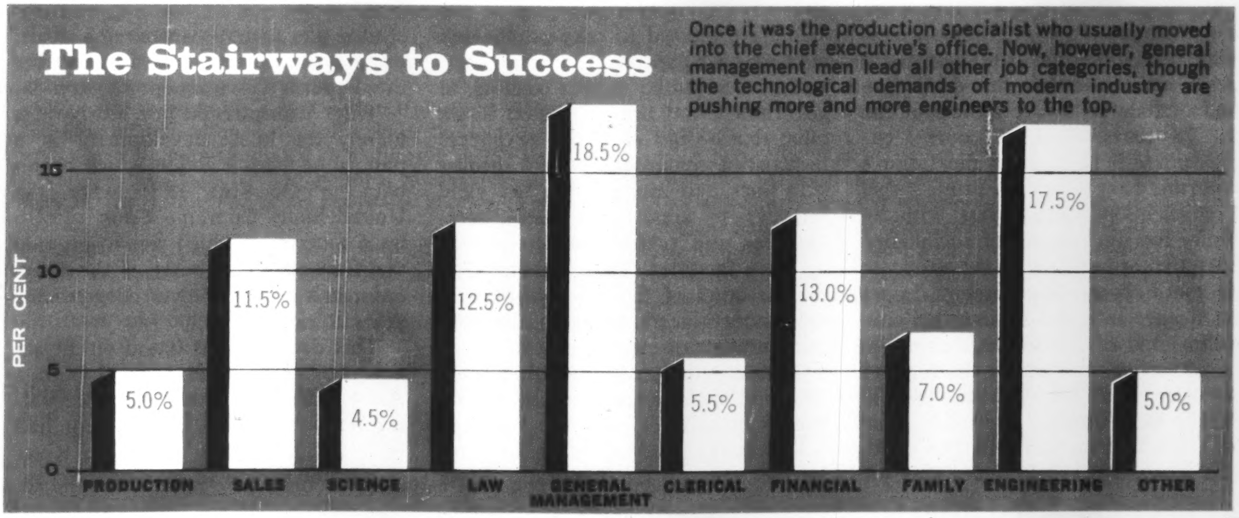
But if a man needs a grasp of modern finance to become an old-style entrepreneur, one other form of successful executive seems to have faded into the background. That is the man who, when he was appointed to the top office, inspired the famous joke: "Gee, this is a great honor, Dad."

A matter of stockholders

Significantly, only a comparatively minor 7% of the 250 executives reached the top through family connections. Two factors would seem responsible. First of all, the complexities of business today will not permit a man to succeed on family connections alone. And with so few large companies still left in private hands, a company which keeps an incompetent man in control risks the ire of its stockholders and possible proxy fights.

As a result, the few men who now head what were once family concerns have demonstrated as much ability as their less fortunate brethren. Reynolds Metals, for example, has shown its greatest growth under Richard Reynolds. Tidewater has turned the corner under George F. Getty III, the son of billionaire J. Paul Getty whose interests control 66% of Tidewater stock. And Anheuser-Busch has managed to thrive even in the overbuilt beer business of today with August Busch at its head.

Perhaps more than any other, that one figure shows just how complex modern business has become—and how demanding it is of the men who sit at its very top.—MELVIN MANDELL



The Stairways to Success

Once it was the production specialist who usually moved into the chief executive's office. Now, however, general management men lead all other job categories, though the technological demands of modern industry are pushing more and more engineers to the top.

Is Big Government moving too deeply into Big Business? To find the answer, a distinguished Senator cites the case of the nation's utility industry

Our "Incidental" Power Plants

SENATOR BARRY GOLDWATER

FEDERAL encroachment on private enterprise is rapidly becoming the economic order of the day under the New Frontier. It is being pushed in many new directions and in the old ones which have felt the deadening hand of federal intervention over the past 28 years. And, of course, encroachment in the area of the nation's power industry is again a prime target of government bureaucrats with an affinity for the process of socializing.

At the present time, the move to put the Federal Government deeper and deeper into the business of controlling one of the nation's principal energy resources is taking the form of proposals for the Government to build power transmission lines from the Glen Canyon area of the Colorado River Storage Project. This job is one that should be exclusively the province of private utility companies, and private utility companies in the area have offered to take on the job at their own expense.

But the public power zealots in government are not interested in an offer that would save the taxpayers the cost of constructing the transmission lines and increase the tax yield for years to come in the states, communities and school districts served by these facilities. Their interest is in the direction of federal control over the production, transmission, distribution and cost of electric power.

Actually, the place for public power is in areas where private power cannot or will not enter the field and where heavy need is shown to exist. In the case of the Colorado River Storage Project, where private utilities are ready, willing and able to perform the job of building and operating necessary transmission lines, there is absolutely no justification for the Federal Government to step in.

The transmission-line drive is merely the latest development in a pattern of federal action which began back in the year 1936 when the United States Supreme Court met to issue a decision which was to provide the Constitutional basis of the Government's electric power program for years to come.

This decision was based on an action brought by a man named George Ashwander against the Tennessee Valley Authority. The Government had built a dam on the Tennessee River as part of a plan to manufacture explosives for use in World War I and to improve navigation on the river. Later, though, it began to use the dam to engage in the electric power business on a large commercial scale. But in doing this, it was competing with, and taking business away from, an electric company in which George Ashwander held a few shares of stock.

He acted directly. He moved to sue the United States Government, acting in the name of the Tennessee Valley Authority, in the local federal district court, on the ground that TVA commercial power business was illegal, or "beyond the constitutional power of the Federal Government." He also argued that if the Government could sell electricity, it could only do so to the extent that it created a surplus "in the course of making the munitions of war or operating the works for navigation" and that it could not generate power primarily for commercial or business purposes.

The Supreme Court ignored all questions of business and competition. It said that "the . . . dam was constructed, and the power plant connected with it was installed in the exercise by the Congress of its war and commerce powers," that "falling water was an inevitable incident of the construction of the dam," that "the Government is disposing of . . . mechanical energy incidental to falling water" and that "nothing in the Constitution imposes . . . [any] limitation" on the sale of that energy for commercial purposes.

So that the case law or the moral was clear: in the interests of promoting the national defense, improving navigation, or by exercising its different constitutional powers, the Federal Government may "erect dams and avail itself of the incidental water power" and provide for the "disposition of surplus energy."

And this is just what the Government proceeded to do. It went on to construct huge multipurpose water projects and dams throughout the rest of the Tennessee Valley, in the Missouri River Basin, along the Columbia River, in the Pacific Northwest and elsewhere throughout the country—all, of course, with "incidental" electric power features. Sometimes, however, the major purpose of these huge projects which "incidentally" generated power seemed questionable. Sometimes it appeared that the power aspect, far from being "incidental," was really their major purpose and that it was the nonpower features in whose name the dams were built that were secondary. But as the Federal Government has no constitutional right to engage in the power business except as an "incident" to the exercise of its other powers, the answer was always the same: the project was built pursuant to some specific constitutional power and purpose, and any electric power it might generate was purely "incidental."

Legally or technically, that may have been the case. But in 1935, the year before Ashwander, the installed generating capacity of the Federal Government amounted to less than 1% of the electric utility industry. After Ashwander, the Federal Government by 1938 had 1,156,000 kilowatts of installed generating capacity, or 3.8% of total industry capacity (including government). By 1941 the federal share had doubled again, as the Government's share reached 2,371,000 kilowatts or 5.6% of the total. And it continued to go up, until in 1960—25 years after Ashwander—federal power was 75 times greater than it was in 1936 when the Ashwander decision became the law of the land.

Now if the United States was a collectivized state, if its economy were dynamized, financed and controlled solely by the central Government, and if in 1936 and the years that followed the nation's electric power industry had been at a primitive stage, then these figures—like those on Soviet power development—would not mean much. But this was not the case, and the rapid growth of federal power soon began to encroach rather drastically upon private industry.

Obviously, though, the justification and development of federal power on the basis of this legal fiction could not continue forever. At some point the number of multipurpose water project sites suitable for development

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Barry Goldwater: the Voice of Conservatism

In Washington today there is no more spirited foe of Big Government, no more ardent supporter of state and local rights and responsibilities—and hardly a more controversial politician—than Barry Morris Goldwater, 52-year-old Republican Senator from Arizona.

Running through his whole political platform is much of the spirit of self-reliance and self-help of the Old West (one of his grandfathers emigrated to California in the gold rush days). In his character and political strategy he is also a man of the 1960s (he is an active jet pilot, a skilled TV orator).

His political philosophy, as he himself sums it up: "My whole argument is based on the historic concept that man can do best for himself, and when man can't do it for himself, then and only then should government step in and do it for him."

This has been his theme since he first became Arizona's Republican Senator. He campaigned in 1952 against "waste and wild experiments in government."

It is since 1957 that Goldwater has stood out so sharply from among his fellow Republicans in Congress. That year he broke with most of them to say of former President Eisenhower's $71.8-billion budget: "It subverts the American economy. It is based on high taxes, the largest deficit in history and the consequent dissipation of the freedom and initiative and genius of our people."

Federal budgets have gone on up—and Goldwater and his views have won steadily deepening influence in the nation's politics.

Among the stands Goldwater has made are calls for the reduction of federal spending by 10% a year, changing of social security from a compulsory to a voluntary system, tighter restrictions on labor unions. He wants to cut aid to neutral nations and boost help for the U.S.' allies.

He is—as this article, written by Goldwater especially for DUN'S REVIEW, points out—against many aspects of federal power projects. But as a realist he recognizes some projects are beyond private industry's capacity: he was among those who backed the Upper Colorado River Storage Project.

Goldwater, a businessman turned politician (he inherited, built up and ran his family's large retail store in Phoenix before he entered politics), is bound to have a profound influence in the nation's politics and business in the years ahead.

with electric power features, as measured by rational economic standards, had to be exhausted. And when that point was reached, the objective of federal power theorists would be discernible in all its naked reality: to promote federal power for its own sake.

Just when that point was reached it is hard to say definitely, at least on an area-by-area, project-by-project basis. But perhaps it is unnecessary to do so, as a more accurate and indisputable index of when the Government passed the point of "incidentalism" has appeared.

A puzzling phenomenon

A statistician studying the tabulations and curves of federal power capacity down through the years would encounter a very puzzling phenomenon around the year 1950. Except for a few coal-burning or steam electric plants on government posts, one would assume all government power capacity to be of a hydroelectric nature since Government only gets into power as an "incident" to its water project undertakings. From Ashwander to 1950, the Government only had negligible amounts of steam capacity; practically all its capacity was in the hydro field.

So one would be puzzled to note the sudden appearance and abrupt increase in federal steam power after 1950. In that year the Federal Government suddenly added 225,000 kilowatts of steam capacity; then another 715,000 kilowatts in 1951; 625,000 kilowatts more in 1952; 1,316,000 kilowatts more in 1953; and so on until steam plants accounted for 35% of all government power-generating capacity by 1960.

Most of this steam capacity was added in the Tennessee Valley region, but that does not alter the point. The same moves are now being made to set up TVA-type steam plants in the Pacific Northwest, and also to use the Government's technological interest in atomic energy development to justify the construction of additional federal steam capacity.

This is a completely new departure. Steam power bears no determinable legal relation to government water projects or the constitutional doctrine of "incidentalism." Here then, is positive proof that many of the Government's power undertakings, far from being mere "incidents" of legitimate government functions, were simply encroachments on private industry. How can this encroachment be rationalized?

Perhaps it cannot be. The Supreme Court was careful to note when the question came up back in the Ashwander case that "Government rightly conceded . . . that it was without constitutional authority to acquire or dispose of such energy except as it comes into being in the operation of works constructed in the exercise of some power delegated to the United States." Nor can Government claim that it must build steam plants to integrate or "firm up" its hydroelectricity. Power integration there should be, but this does not mean it should be provided by government-owned steam plants. So one may look in vain for an acceptable explanation of the federal steam plant phenomenon.

The motives of men can always be concealed, but one can always tell what the effects of their actions are. The real explanation is simply that the federal power agencies have arrogated a public utility responsibility unto themselves. It is now clear that federal-power ideologists invaded the utility field long ago; that they used the "incidentalism" fiction as long as possible; and that having established themselves, they would now have the Government proceed openly—by way of hydro or steam power—as if it had a public utility responsibility. Thus the Interior Department's Commissioner of Reclamation was recently quoted as saying: "I don't think we'll ever again decide not to build a dam simply because it's only a power project. Our main point of interest will be to sell power cheaply to the public."

This plainly may be the "main point of interest" to the overseers of the major federal power agencies. The objective or empire interest of every government specialist is, quite humanly and understandably, to promote and exalt the interests of his agency above all others. But where does it leave the rest of America?

In this connection the two most outstanding domestic facts of our times that come to mind are 1) that Americans in the long past and for many years to come have got to bear a prodigious load of taxes and 2) that tax advantages for some always mean more taxes for others.

And this brings us to the central point. With one qualified exception, the beneficiaries of federal power pay absolutely no taxes on their electric bills; yet taxes increase the power bills of the country's electric company consumers by 23%.

This is one of the unpleasant aspects of federal power to the country's electric company customers, or to three quarters of all Americans. And it is fast becoming equally unpleasant to the men who have to grapple with the seemingly insoluble problem of how to meet government's unending deficits and responsibilities. To them it is plain that electric company taxes are simply factored into the bills the customers pay and transmitted by the company to the U.S. Treasury. And to them it is equally plain that federal power agencies could collect tax revenue in the same manner. (The "qualified exception" noted above is TVA. It collects some taxes for state and local governments as part of its electric rates, but none for the U.S. Treasury.)

Obviously, the Federal Government can undersell private industry in the power field or in any other field. The power agencies do not have to include factors for taxes or dividends in their rates, and they can sell electricity below cost. (The audit reports of the Comptroller General show that many federal power projects fail to meet their operating expenses by tens of millions of dollars.) But one should question whether this kind of price cutting should be used to promote the sale of federal electricity.

The needs of government

Government's need for tax revenue was not great when the Ashwander decision was handed down back in 1936. The corporate tax rate then was 15%, and it only increased electric bills by 5%. But things are much changed now, including the size of the federal power establishment. Today the needs of government are enormous. The federal corporate tax is now 52%. Today taxes raise the power bills of electric company consumers 23%. And today the Government is forced to collect additional millions from others to make up for the revenue that is lost because federal power is still sold tax-free.

In 1959, while electric companies collected over $1 billion in federal taxes, federal power agencies collected nothing. This is a tax discrimination that electric company customers can no longer be made to bear. It is a benefit the Government can no longer afford to provide. END

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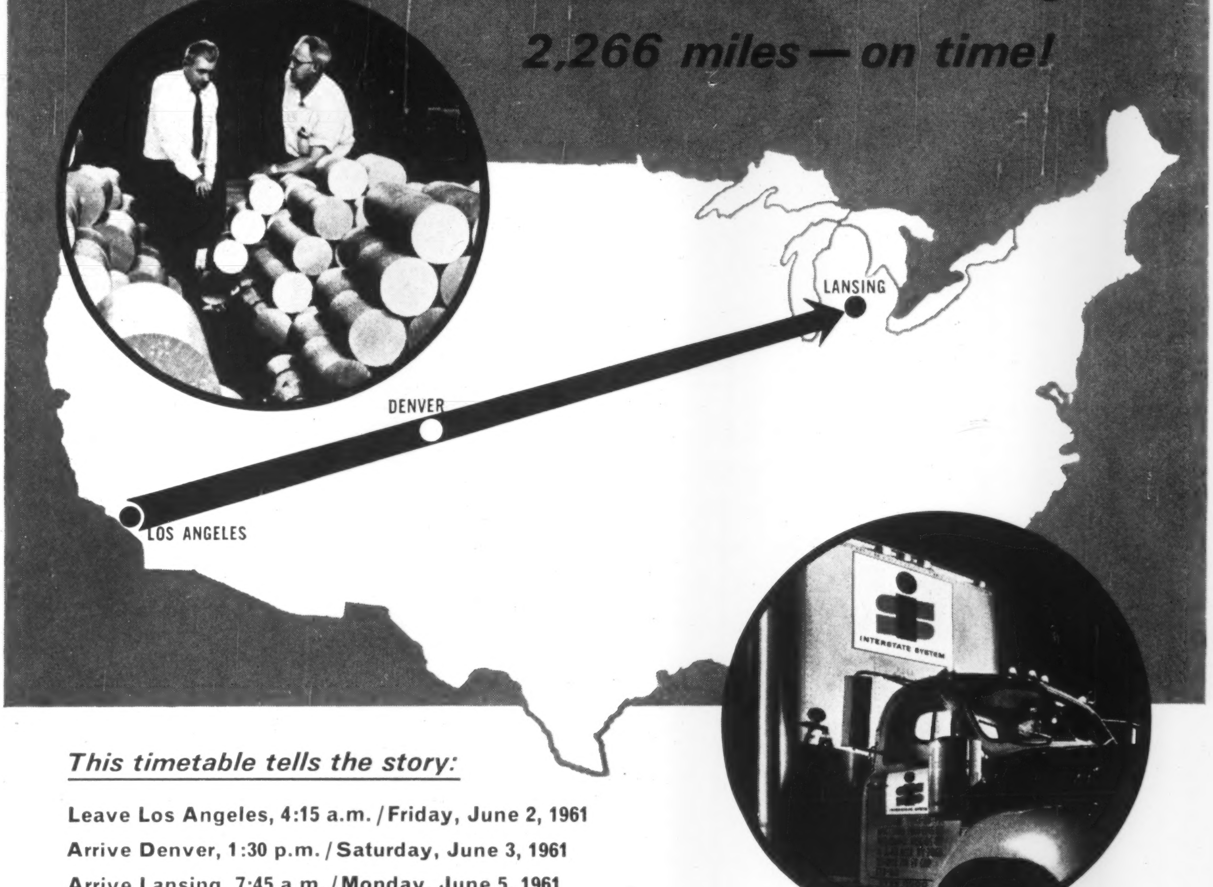

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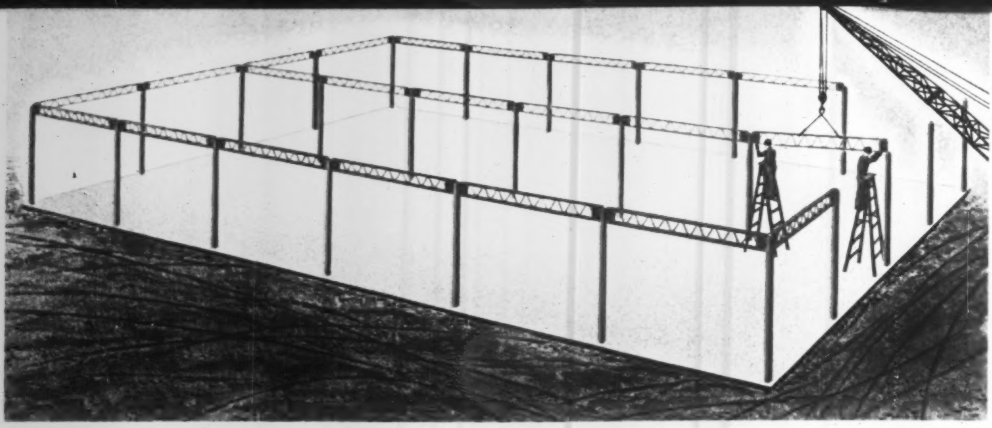

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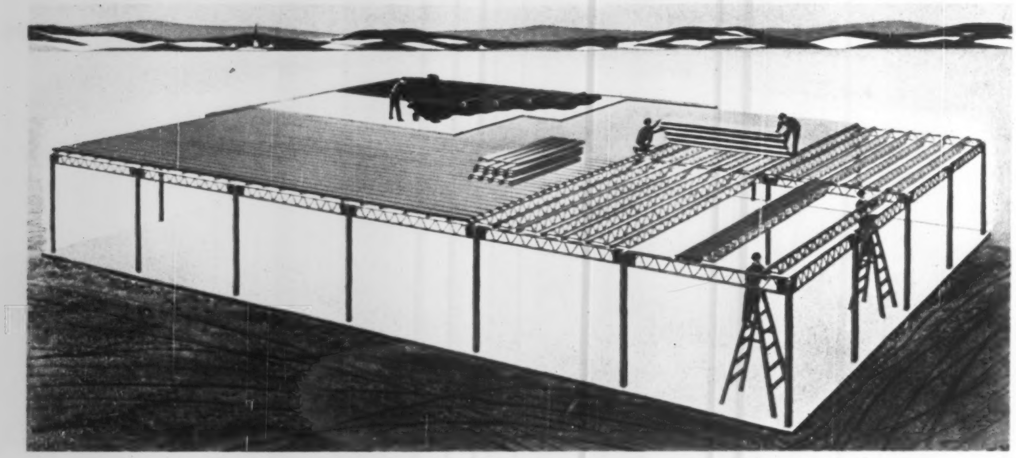

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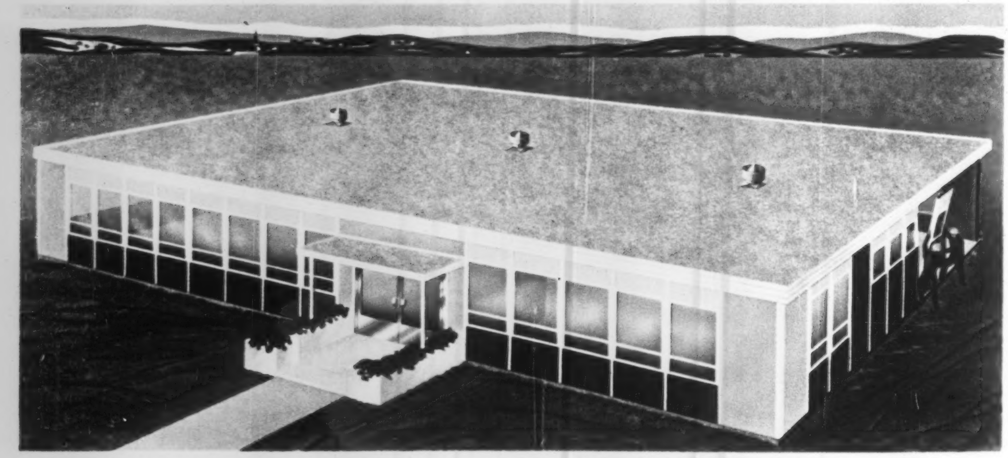

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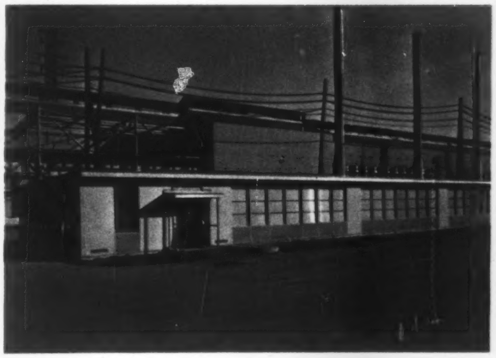

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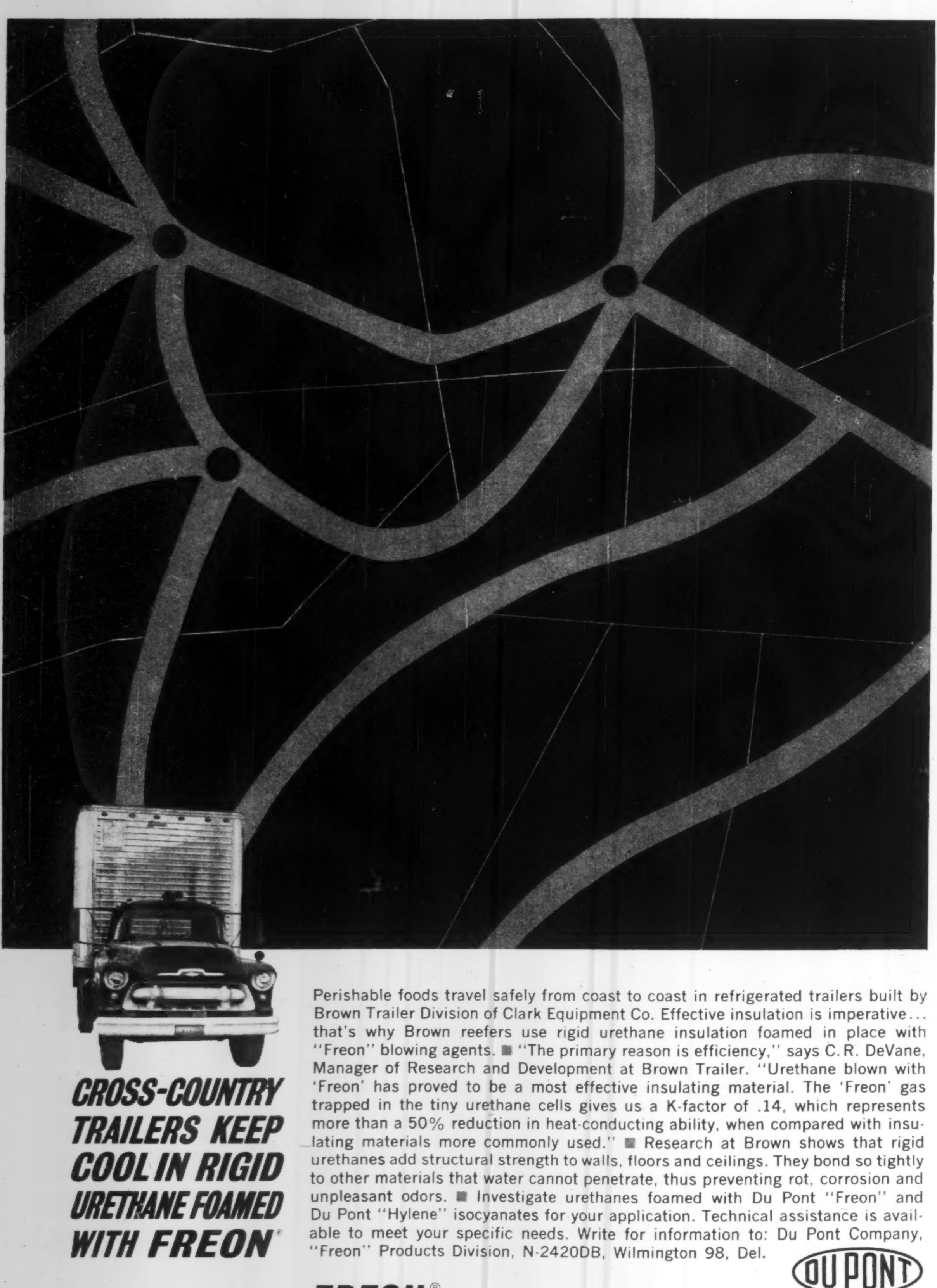

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WITH every passing day, another American company dips its toe into the swirling waters of international trade, either opening a new plant abroad, acquiring a local company or merely opening a new sales outlet in some particularly promising foreign market. Typically, elaborate surveys and penetrating market studies precede their moves. But then the company comes up against the most vexing problem in any international operation: Just how do you pick the *right* American to work abroad?

As more than one executive has found to his sorrow, there is no easy answer to that question. Yet for one group of companies the problem of picking Americans to go abroad has become relatively old-hat. They are the giants of international oil, billion-dollar companies that have been producing, refining and selling oil in nearly every corner of the globe since shortly after World War I.

For them, then, the problem of not fitting a round American peg into a square foreign slot is one that must be met on a massive scale. The Standard Oil Company (New Jersey), for example, reaches into nearly every known part of the world, and its oil-hunting crews tramp through others which literally are unknown. Texaco Inc. reaps estimated profits of $159 million a year from its foreign operations. And from its headquarters near Manhattan's Times Square, the Socony Mobil Oil Co. must oversee the activities of nearly 30,000 people abroad.

How, then, do these seasoned experts find the right people to go abroad?

Each company answers the question in a slightly different way. If a "composite American" can be found to work abroad, however, the three companies are virtually in agreement as to what he will look like. His main characteristics:

- He will have what the oilmen call "an international outlook," never an easy matter to determine.
- He will be young, probably married.
- He will speak the language of the land to which he is going, or have an aptitude to learn it.
- He will want to go abroad.

Of those characteristics, probably the most difficult to find is the international outlook. "Your man," says Kerryn King, vice president of Texaco, "must possess a sensitivity toward the aspirations of nationals in whose country he is working, particularly in underdeveloped lands." In other words, he cannot take a myopic view of America's "prestige" or the company's "mission." "I don't mean," adds King, "that the man should be a fuzzy-minded idealist, or a bleeding heart. Far from it. Hand in hand with the international viewpoint must go a clear-headed, businesslike attitude."

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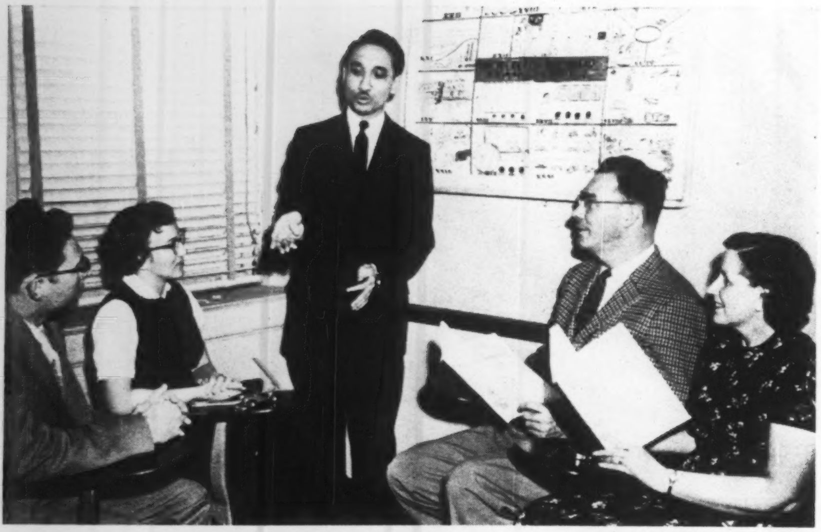


PETROLEUM companies commonly pay for any language training their people may need before going abroad. Wives, too, are urged to take language lessons.

seas service. Equally important, as Robert G. Harmon, manager of employee relations for Socony Mobil's international division, warns, are the man's own desires. "You could pick the ideal candidate," Harmon notes, "but if he doesn't want to work overseas, he's not the man for you." In fact, the Number One error a company can make is to "sell" a man on the advantages of a foreign career. Living conditions abroad, even in the most highly developed countries, are simply too different for the "sold" executive to remain contented and efficient. Notes Harmon: "The candidate must want a foreign assignment, appreciate the challenge as an opportunity and be willing to risk rotation from one overseas post to another."

Once a company builds up a foreign force, Americans in international operations become "pros." They learn to accept the "bad" posts with the good, often taking the philosophical attitude that eventually they will be moving on.

Because this attitude is all vital, the employee who is eager to make a career of serving twenty to thirty years abroad generally ranks as first choice with the oilmen. Socony Mobil's Harmon nails home this point. As he points out: "We're definitely not looking for the man who confides 'I'd like to work abroad five or six years, maybe, but then come back to the States for good.' "

But suppose that overseas slot requires a man with a scarce, specialized skill? Won't the oil companies draft him, if necessary?

The petroleum giants agree that they might resort to a draft. As Texaco points out, however, this would be done only in an emergency. And the draftee's duty overseas probably would not exceed six months.

In general, though, the man who fills the one requirement of wanting to go abroad generally fills the second one of also being young. This is true almost by default, because as company people grow older, acquire seniority and sink roots into their community, they resent pulling up stakes for the uncertainties of overseas living. Often, too, foreign assignments seem synonymous to them with rugged living.

In contrast to the middle-aged, these drawbacks serve only to whet the appetite of younger men. Socony Mobil, in fact, taps the enthusiasm of younger people through a pioneer program for able young college men. Every year it selects a dozen or so internationally minded candidates from some 400 applicants for a working summer abroad. Those chosen must be in the top 10% of their class and preparing to enter the final year of their studies.

Purpose of the program, of course, is to recruit students for foreign service and enable the company to size up their potential in a kind of "sneak preview." Each youth serves ten weeks overseas, with all travel expenses paid by the company. Those who are married, incidentally, must leave their wives behind.

This program, however, is probably the only instance in which the petroleum companies suggest leaving the wife at home. In virtually all other cases they have found married people to be preferable for overseas assignment. "More stable," explains Socony's Harmon. "With his wife and children around, an employee working overseas is less likely to get into trouble, more apt to do better work than a single man." And as Socony's records indicate, the typical American working overseas is not only married, he has two children as well.

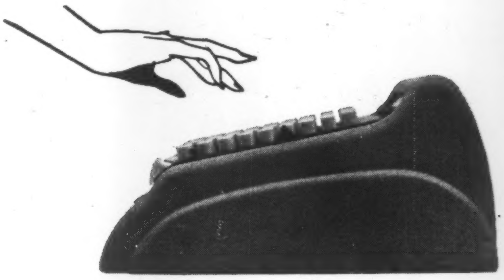
What about the foreign language which often is so difficult for comparatively insular Americans to learn? The stress placed upon language skills is hard to overemphasize. At Texaco, for example, personnel in key positions overseas must learn the native tongue within a year of arrival. Fluency is mandatory for managers.

If his language skills are thin, the Texaco man spends the first hour of each working day at language training. Like Texaco, Socony stresses language so heavily that it arranges for courses at Berlitz, or some other reputable language school, for both men and their wives.

The Problem of wives

In a few cases, personnel manager Kurt Quick of Jersey Standard points out, language skills are not vital. As he observes, many of the foreigners Americans meet speak English, are delighted to practice upon Americans. Too, where men are assigned abroad to fill highly technical posts, they tend generally to work with compatriots. However, Quick hastily adds that in most situations a knowledge of the language is a definite plus.

Needless to say, wives are another factor which must be considered in foreign assignments. If a woman shares her husband's enthusiasm for working overseas, his morale shoots up, his career is buoyed. The wife, in fact, is so important that the oil companies do everything possible to prepare her for living abroad. At Socony Mobil, for example, she is introduced to three or four wives who have been to the same post, in order to learn about customs, climate and housekeeping problems. Often, an assignment brings more change to the woman's way of life than to the man's. For example, women who do their own shopping may find that their Number One houseboy must assume this chore. Even that, and the general availability of good, inexpen-



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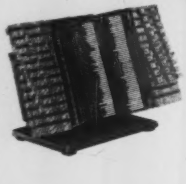

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sive servants abroad, can be a problem. For American women face the very real danger of becoming bored. As a result, more than one of them turns to drinking. Socony carefully screens for this defect, noting that some women have harmed their husbands' careers in the past.

As an intermediary step, Texaco provides for a six months' tour of duty in Puerto Rico for the couple assigned to South America. The island is a hybrid, mixing both U.S. and Latin American customs. But its business practices resemble those of lands to the south. When personnel are finally assigned to Latin America proper, adjustment to local customs becomes easier.

Smoothing the way for overseas service, in fact, is an important element in the company's foreign program. True, the desirability of a post makes the need for such efforts minimal in some cases. Socony, for example, tells of one top executive who liked his post so much he returned to the U.S. only on direct orders of the president.

Easing the hardship

But there are, of course, any number of "hardship" posts around the world. So the companies create incentives to dress them up. Not the least of these is a bonus, or salary differential, for working overseas. Socony Mobil, a typical example, offers a cash allowance of 30% above base salary for employees at most African operations. Elsewhere, the premium is 20%. In addition, the company grants a cost-of-living allowance to pay for any normal living costs which are excessive by U.S. standards.

Income taxes are another important factor in any compensation scheme, particularly because employees in one country may be paying far more than those in another. To even things out, one company withholds hypothetical U.S. taxes on base salary. If local taxes are lower than this figure, the excess goes into a pool; if local taxes are higher, employees receive the difference from the pool.

Closely related to monetary incentive are vacation and retirement bonuses. Texaco grants all overseas personnel the normal vacation at the end of the first year's service, but also gives them all local holidays (which invariably exceed those celebrated in the U.S.) and a paid, one-month leave every two years.

The Ugly American?

Are American businessmen really such poor representatives of Americans abroad? DUN'S REVIEW *put that question to Hobart Ramsey, chairman of the Worthington Corp., on his return from a recent world tour:*

"Inasmuch as the criticism of the businessman's actions commercially and socially has consisted of unfavorable generalizations about his lack of modesty, overspending and crude manners," says Ramsey, "let me reply with a general denial. From my observation, this caricature of the American executive abroad is a libel on the good name of thousands of American executives whose behavior is exemplary. Let me also add that the management capacity of these men is indicative of the serious attitude American corporations are taking toward the company image in overseas markets.

"Many of these men," Ramsey goes on, "undergo years of training in dealing with overseas business situations and conditions. An increasing number are studying a second and third language, and if they offer Yankee 'know-how' to countries with older traditions and different customs, they also acquire information that is converted into production and sales benefits. To be sure, there are always a few tourists who act like a colt let loose in a new pasture, but they are no different from tourists anywhere. We don't see enough visitors from Europe to measure standards of conduct."

Ramsey's conclusion? "It is time, however, to discard the worn-out stencil of the bumptious Yankee overseas. He just doesn't exist except in the eyes of someone looking backward—a way back."

Socony cuts years from the employee's retirement age. For every three years served abroad, the retirement age of 65 is slashed by one, to a low of 60 or 55.

Less obvious, perhaps, than problems of compensation, but almost as important, are the employee's children. "Where will our kids go to school?" they quickly ask.

Jersey Standard answers it by building schools, if they are needed. In Aruba, for example, a tiny Dutch island off the coast of Venezuela, a company school, staffed with American teachers, offers a twelve-grade education to children of American personnel. Standards are equivalent to the highest in the U.S.

In other areas, where good local schools are available, the company pays for children's tuition. If no adequate school is available, and it is not feasible to build one, the company sends students, at its expense, to the "nearest adequate school"—say Geneva's International School for personnel assigned to remote Libya.

But even as the new companies going abroad struggle with recruitment problems, the oilmen advise that they keep one other factor in mind. That is the common-sense trend to hiring as many nationals as possible to fill foreign jobs. Obviously, the more locals a company employs, the more popular it will be.

Marketing in particular, the oilmen note, calls for locals. Their familiarity with local customs and business practices is indispensable for devising effective sales stratagems.

Other occupations, however, usually require special training. Some 25 years ago, for example, Jersey Standard sent young Americans to Aruba's giant refinery as apprentice operators. After mastering their jobs, they trained the nationals. Now this crop of qualified nationals is replacing the Americans, and Jersey's operators and first-line foremen are Aruban.

Another case is Texaco's Nicolas Escobar. A personable Colombian, Escobar was flown here recently for management studies at Northwestern University. While here, he discussed his job and company policies with top Texaco executives. Escobar today holds one of the highest executive titles in the local operation.

However, the oil companies warn newcomers to the foreign field against counting too heavily on nationals in the beginning. "It takes only years to learn technical skills," says one petroleum executive, "but decades to soak up corporate purpose and policies. The company just wetting its toes abroad must concentrate first on finding the American 'pros'."

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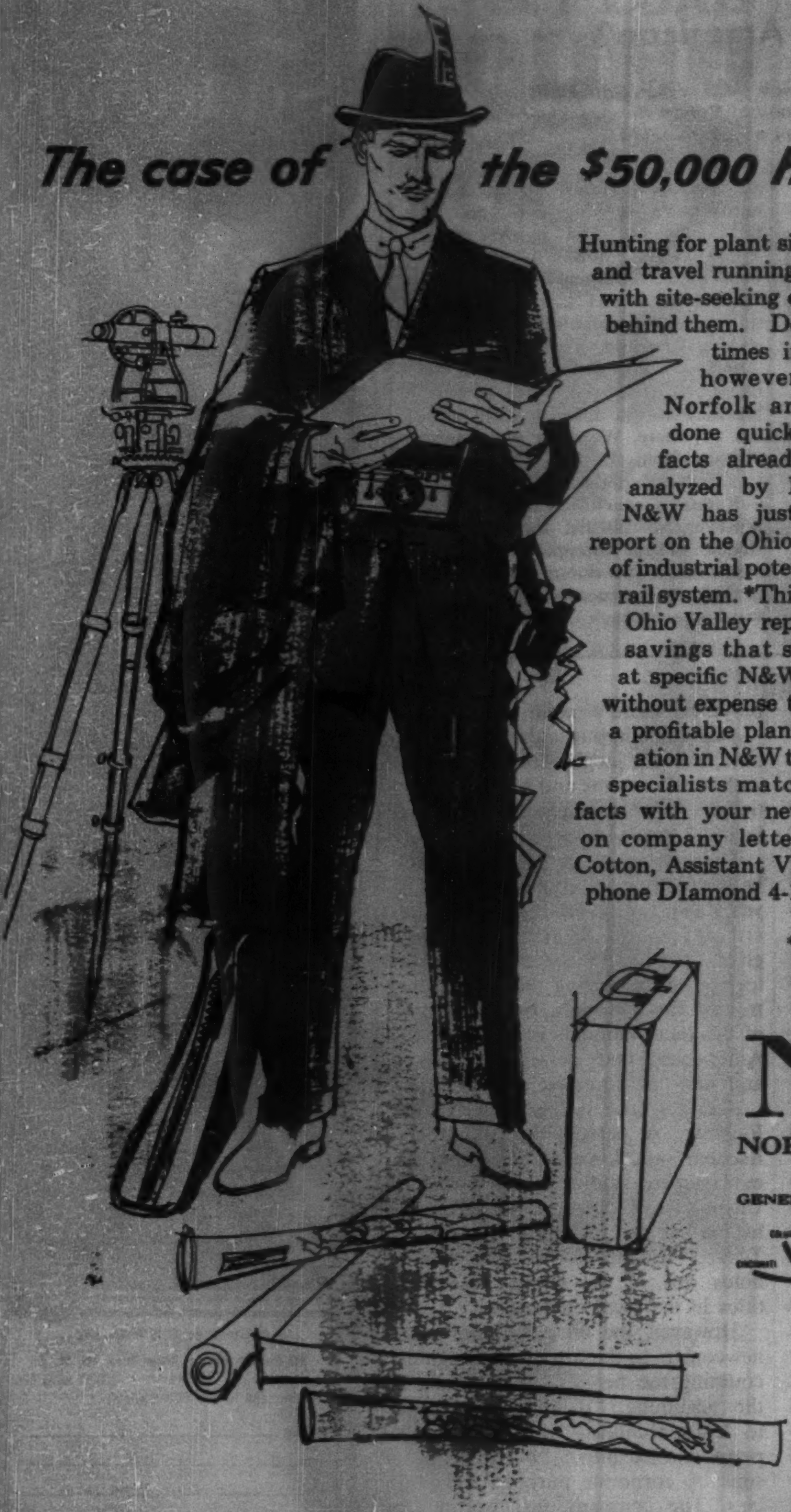

The case of the $50,000 hunting license

Hunting for plant sites can be expensive, with time and travel running into thousands of dollars . . . with site-seeking executives leaving vacant desks behind them. Despite the cost, results are sometimes inconclusive, inaccurate. Now, however, site selection along the Norfolk and Western Railway can be done quickly, easily, economically, from facts already assembled and thoroughly analyzed by Fantus Area Research. The N&W has just received a detailed Fantus report on the Ohio Valley, as part of a full study of industrial potential along the 2,747-mile N&W rail system. *This conclusive, accurate, unbiased Ohio Valley report spells out actual costs and savings that specific industries can expect at specific N&W locations. It shows at once, without expense to you, whether or not there is a profitable plant site for your particular operation in N&W territory. Let our plant location specialists match these precise, interpretive facts with your new plant requirements. Write on company letterhead, wire or phone H. P. Cotton, Assistant Vice President, Division DR . . . phone DIamond 4-1451, Ext. 474.

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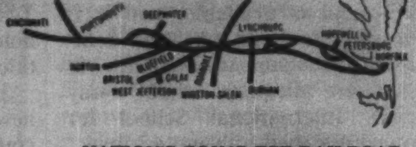
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NATION'S GOING-EST RAILROAD

Don't mistake management's new mood of realism for a passing fad. It is an inevitable response to the economic challenge of the times. And it does not mean toughness for the sake of toughness. It means hard-headedness for the sake of survival.

Needed: Tough Men in Business

"BUSINESS must learn to be a business institution—not a social institution devoted to mass happiness," says business novelist Cameron Hawley. "Companies need leaders whose main concern is not getting along with people but who are blunt, straightforward men willing to drive ahead in spite of hell and high water." Echoes a top manufacturing executive: "What business needs today is strong men."

To some management men, schooled in the doctrines of human relations, these may seem like hard words. Yet to more and more top executives today, they make very good sense indeed.

To all appearances, in fact, tougher leadership is becoming the order of the day in U.S. business. In the words of one leading consultant: "The good guy is being crowded out by men who are more aggressive, dynamic, better prepared to do a job. Some companies are saying in so many words, 'We want tough men.' "

DODGING **decisions breeds weak managers, says General Lucius D. Clay.**

Why the apparent swing to tougher management? High wages, high material costs and changing customer-buying habits coupled with a growing public price consciousness are part of the answer. To increase the pressure on company earnings, there has been the hard-sell push of low-wage, technologically smart foreign competitors. American industry has no alternative but to fight for flexibility in its use of expensive manpower, and to speed up mechanization to get higher productivity. And, predictably, the unions have reacted with dismay. Leo Wolman, prominent labor relations authority, puts the reason in a nutshell. "Labor," says Wolman, "like all monopolies, has difficulty adjusting to changing conditions." This comment underlines the real reason for the new firmness in management's attitude. In view of competitive circumstances, it has no other choice.

The changed mood has been showing itself in other ways than a firmer bargaining posture. Management men, too, have been feeling the pressure of the new realism. For evidence, hear what the personnel vice president of a Midwestern machine tool company has to say.

NEW YORK's **Governor Nelson A. Rockefeller calls on labor to face facts.**

"We are giving some of our people," says this executive, "a chance at a second career—somewhere else. If a man has reached a level where he will not advance or cannot advance, we can't afford to retain him in our organization. A 'get-by' job is no longer enough. In many instances we are successful in helping these people relocate. We have also learned that some executives we have squeezed out are doing well in new jobs. All they needed was the dash of cold water to snap them out of it. But we don't think we could have changed their attitudes here. It's a hard decision to terminate a long-service supervisor or executive, but no business can be run as a social institution if it expects to survive."

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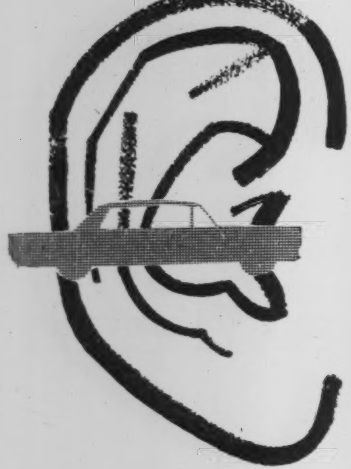

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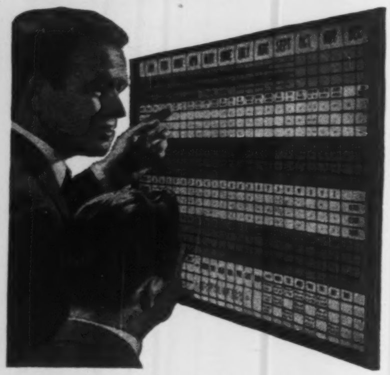

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Actually, of course, few businessmen have ever really tried to run their companies as a "social institution." And there is little evidence that the executives who fought their way to the top during the years that followed World War II are compromisers or men of soft persuasion. The truth is, until recently they dealt with different sets of problems. The major management emphasis was on production and expansion. Employee relations were relatively peaceful. Industry as a whole could afford to pay the high dollar price of labor peace and still be reasonably sure of making a fair profit.

Heyday of the humanists

During those years, upper-case Human Relations was popular. Such concepts as "togetherness," "life adjustment" and "people come before dollars" were a happy, if temporary, refuge from the stern disciplines of reality. So long as those dollars flowed in an endless stream, such notions seemed to work. But the men who were making top management decisions never believed such conditions would last. They knew what was coming.

Even then, in fact, those same men were making plans to gear their companies to competitiveness as soon as changing circumstances persuaded the Government and the public that there is no escalator to prosperity—that full employment and easy living cannot be permanently guaranteed by political sleight of hand.

After all, who are the executives who are insisting on greater efficiency, more productivity, increased competitiveness? With few exceptions they are exactly the same men who guided their companies through the syrupy 1950s. They were realists then, but the political climate was hardly encouraging to realistic solutions to economic problems, especially if those solutions were painful. They are realists now. The difference is, more people are willing to listen.

Straight talk to labor

Because of this face-up-to-facts atmosphere, New York's Governor Nelson Rockefeller was able to win a storm of applause from a group of his state's labor leaders when he told them, "I say to you in all candor that higher wages and shorter hours cannot come indefinitely out of a relatively declining economy. We're in competition with the whole world, and I tell you we're losing ground."

Governor Rockefeller wasn't talking to the top leaders of the national union movement but to the second string of labor, men on the way up, men close to the problems of workers. They understood exactly what he was talking about.

It would be too much, of course, to say that everybody is getting the message. But more and more people are willing to listen to practical approaches to the solutions of hard problems, even though these may be temporarily unpleasant. And those who stubbornly insist on backing "Pollyanna" programs designed to make the omelette without breaking an egg do so with less conviction than before.

More room for action

In short, management is simply getting a greater opportunity to apply tough-minded solutions to tough problems. General Lucius D. Clay, chairman of the Continental Can Co., summed up the reasons why inefficiency and softness were tolerated during the 1950s when he said: "Nine times out of ten, the inefficient manager becomes so not because of lack of training or lack of information, but because of evading hard decisions."

Since World War II, domestically at least, our political leaders have avoided many hard decisions. Today the march of history is forcing their hands. There is much talk in Washington about "moving forward," "the need for sacrifice." Though there is still little specificity as to the nature of the sacrifice, public concern about national drift is unmistakably having its effect.

Soon after his election, President Kennedy abruptly told the leadership of labor that the notion of shortening the forty-hour week to spread the work was impractical and depression-minded. He added that in the face of world politics the nation could take no such risk, that the preferred objective would be to return to full production as quickly as possible.

A call for clear-headedness

For a Democratic president who owes his election, at least in part, to the solid backing of organized labor, this was a tough-minded point of view. It was in the same spirit that Robert Paxton, former president of General Electric, declared: "Our af-

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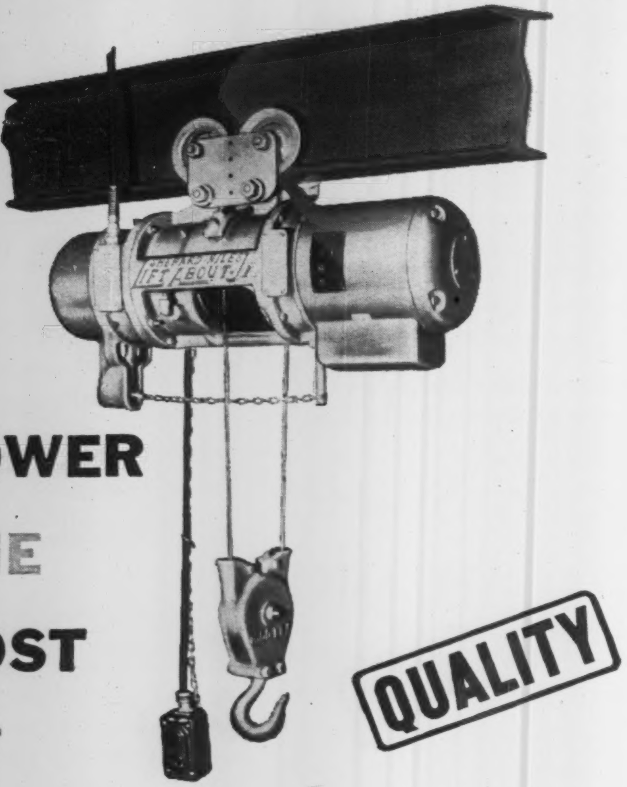

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fluence, with its easy growth and expansion, has nurtured slovenliness that the economy cannot afford. Consequently, if the 1960s are going to reflect a golden hue, we need to win the understanding of employees, the public, Government and business regarding the realities of the time."

Most business leaders have this understanding. But can they put it across?

The question has not yet been answered. But top management is increasingly determined to see that it is answered properly. This determination rings out in a remark of Ray R. Eppert, president of the Burroughs Corp. "The health and profitability of business," says Eppert bluntly, "is the main foundation stone of the strength and prosperity of the nation. Isn't it about time that we make an all-out effort to gain understanding of the fact that the American system of free enterprise is a profit system; and that from these profits, and only from these profits, do we get job security, our high standard of living, and the initiative of action which has placed the United States in the position of world leadership?"

With that idea in mind, many companies are tackling the problem of employee attitudes head on. The soft-soap, break-the-news-easy approach is on the way out.

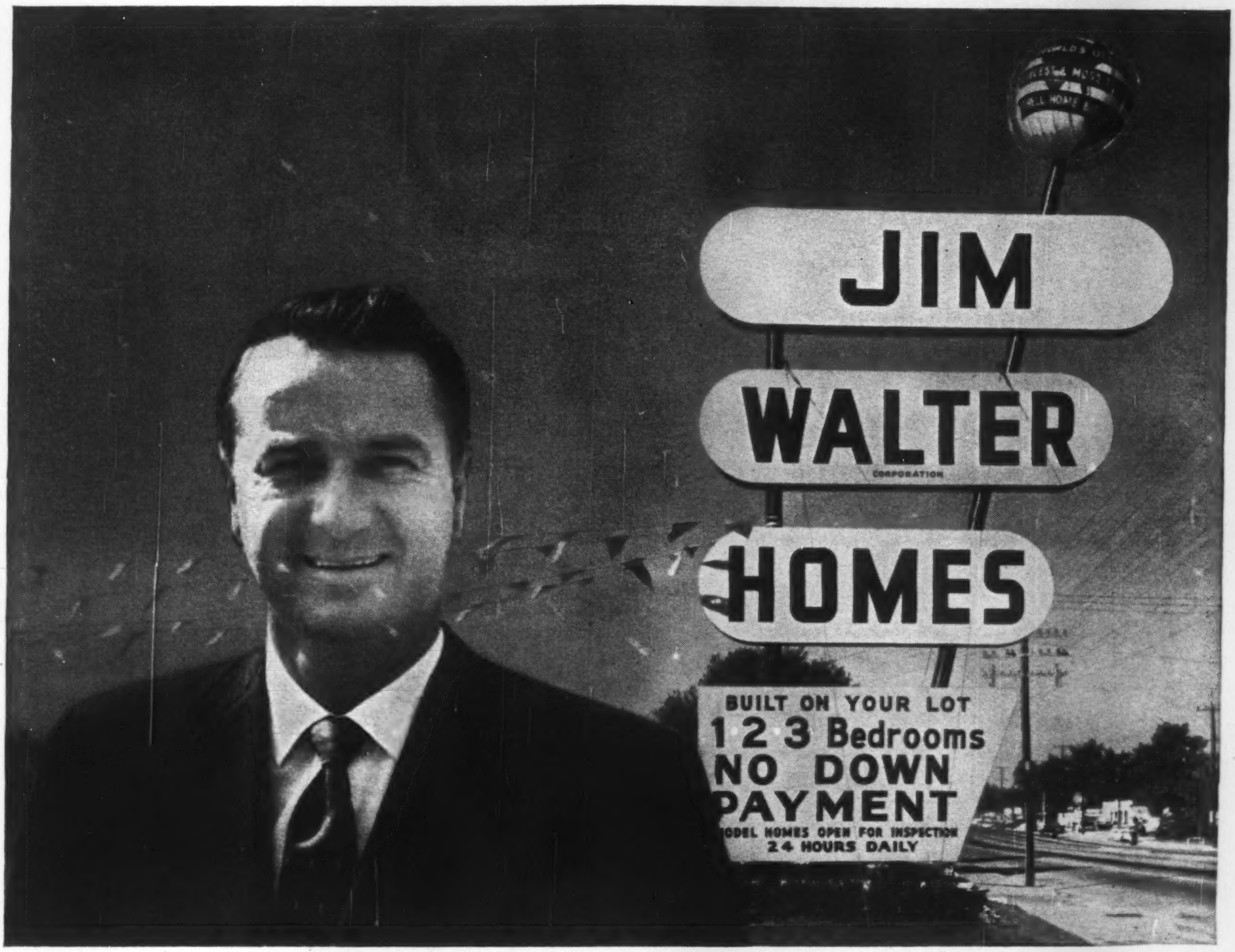
No time for hedging

Richard P. Brown, vice president of General Time Corp., puts the case squarely. "By presenting the economic facts of life to workers in a straightforward manner," says Brown, "you can show them that their interests are the same as the company's in the long run. But you're licked before you start if you intend to hedge on a touchy point. You have to discuss the facts employees want examined. Just repeating what's in the annual report won't do it."

That same kind of management realism is beginning to show up even in such areas as management training programs. For one thing, companies are getting more selective in their choice of outside courses.

Added to that, they are picking and choosing far more carefully when it comes to deciding whom to send for such training. The egalitarian notion that everyone is entitled to a crack at a seminar or a management course is fading.

Now, an executive has to prove



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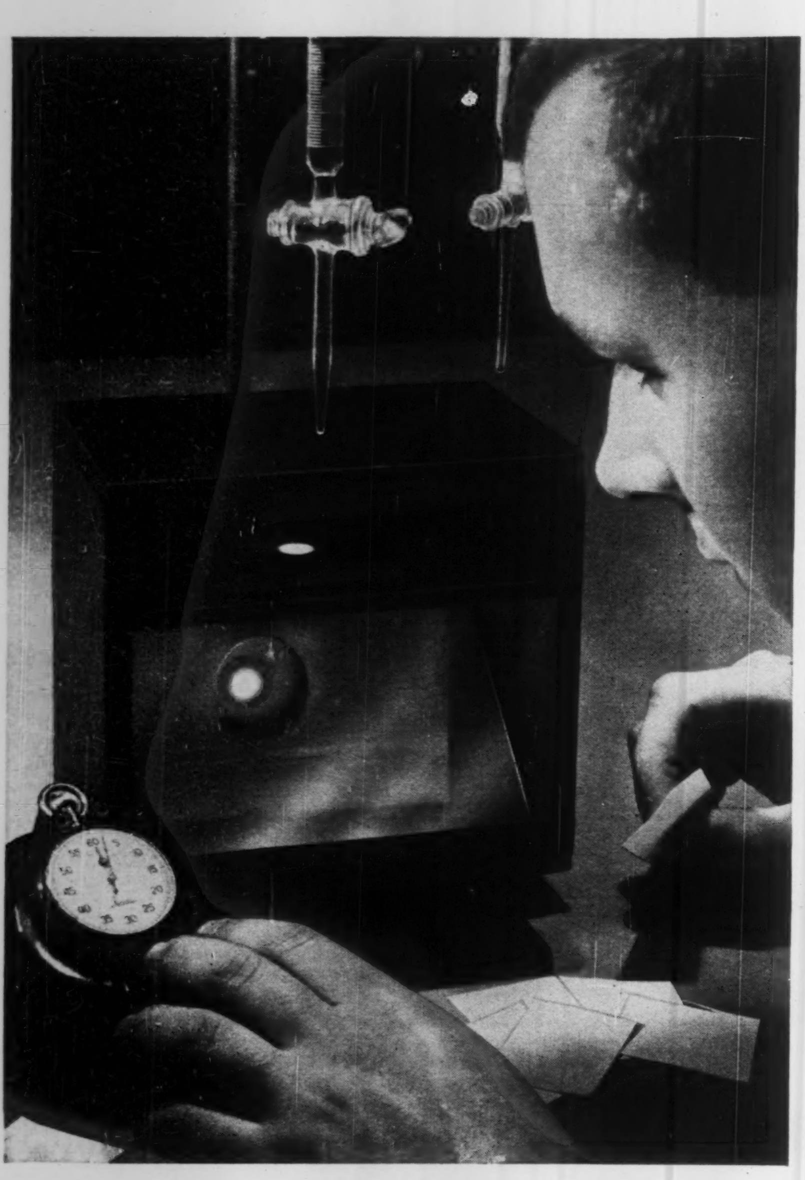

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by performance that he deserves a chance to be given special education at company expense," says one industrial relations director flatly, "and the course has to prove that it will benefit the man who takes it. We are putting opportunity on a competitive basis. This means we have fair-haired boys, but what's wrong with that so long as we give everybody a fair chance to be one?"

The president of another nationally prominent company concurs. "We are bringing management training back to industrial reality," he says. "We are tired of pretentious programs and exaggerated claims. How will a training program help a supervisor do a better job? How does a management course prepare an executive to accept higher responsibility? That's the kind of questions we are asking these days before we buy."

Historian Arnold Toynbee once observed that environment creates man's challenge and determines his response. The U. S. is in a rough, no-holds-barred fight with an enemy who knows what he is doing. National existence hangs on the outcome.

The leadership of industry knows the implications of this struggle, particularly on the economic front. What is happening in the world has convinced most of the public that the joy ride is over. People are asking for realistic leadership that galvanizes the full power of this country and assures its future and theirs.

Realism for a reason

True, intelligent executives are never tough simply for the sake of toughness itself. That is sheer stupidity. But today's business problems are tough. Competition is tough. World politics are tough. If business leadership were not tough-minded, we would have no chance at all. In a word, management has its job cut out —and that job is not a part-time assignment.

In the last analysis, the ability to take on hard competition and come out on top is the only true source of job satisfaction for an employee, a supervisor or an executive. Competition is the only stimulator of real job enthusiasm. So there is no need for anyone to worry about management's new mood of aggressiveness. From the standpoint of long-term job security and the continuing growth of this nation, it is cause for hope.

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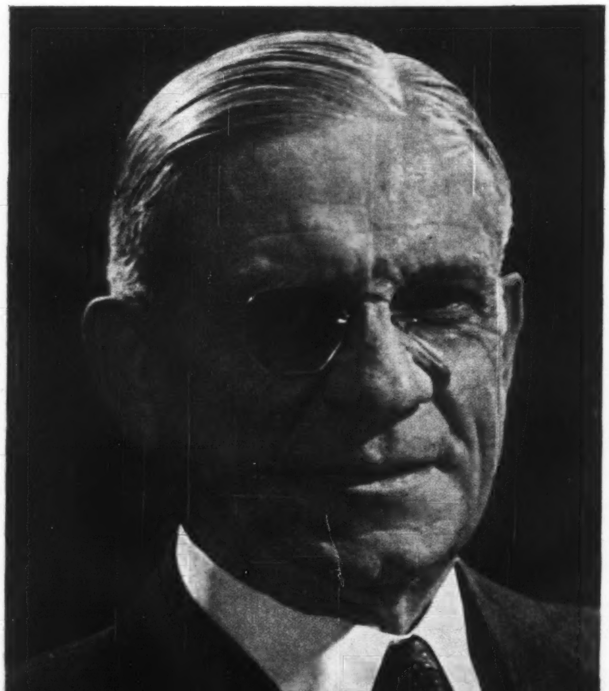

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Clarence B Randall

Clarence B. Randall, Director and former Chairman of the Board,
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"I have seen it happen to dozens of men. They reach a point where there is nothing in their lives but their work. They aim all of their time and energy at one big target—success. They reach the peak of their careers, but when they do, where are they?

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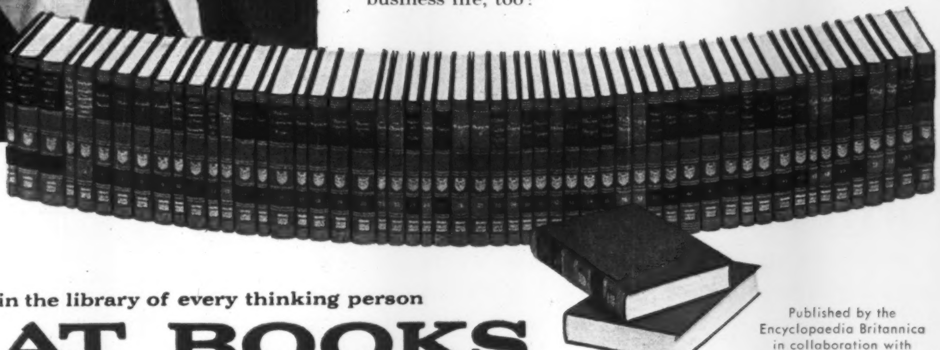

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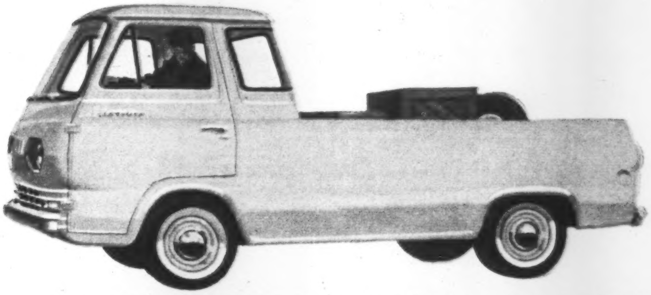

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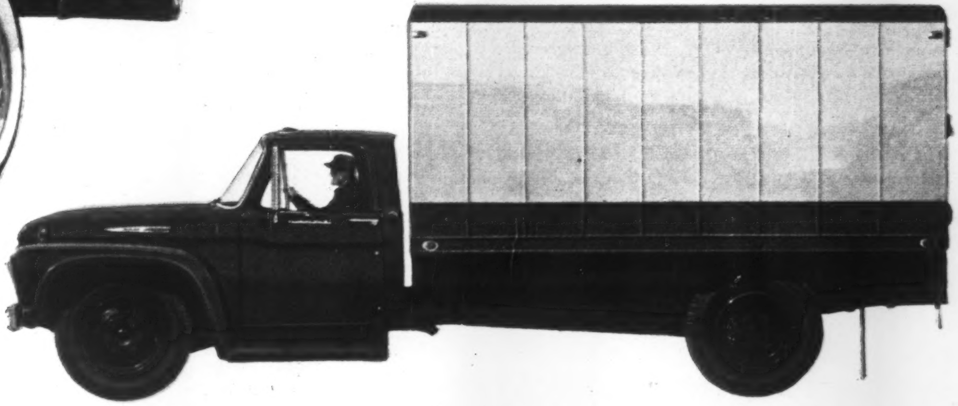

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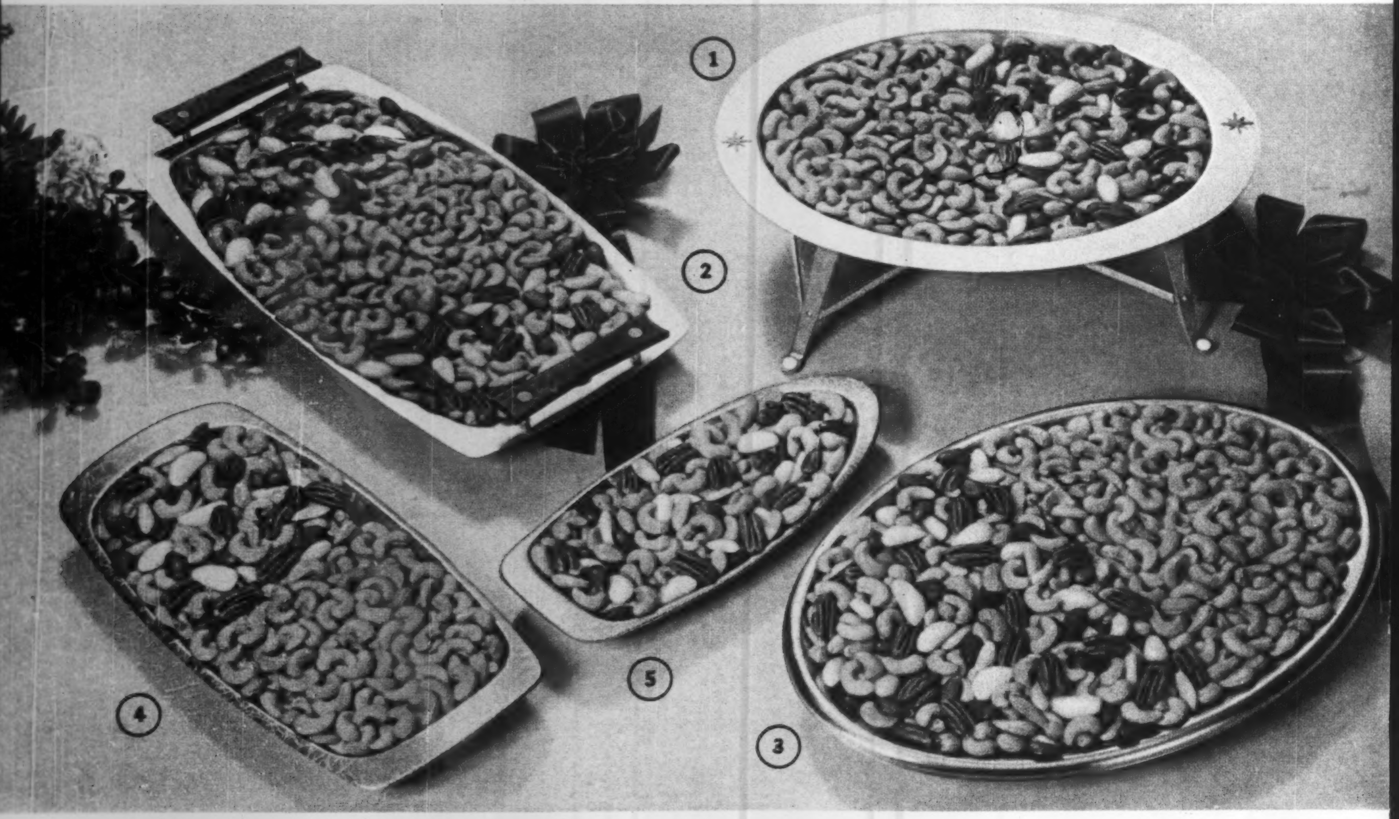
Smart, oven-to-table server for the male Chef. Ideal for buffets, snacks, barbecues or family meals. Deep flowing design keeps generous food portions at serving temperatures. 16″ x 12½″, silver-tone removable tray with good tone accents, tarnish and scratch resistant. Gleaming gold tone base with azure candles. Gift packaged with 16 oz. each of Imperial Mix salted nuts and jumbo whole cashews.

Gift No. 2—CLINTWOOD SILVERTONE TRAY $9.95
Good taste in giving is reflected in this rich heavy gauge aluminum-alloy tray. Handsome and lovely . . . has unlimited uses at buffets, dinners, picnics, cocktail parties, coffee get-togethers. Can't rust, or tarnish. Hand-crafted wood handles, 17¾″ x 9¾″. Brimming with two 12 oz. bags of Imperial Mix, plus 12 oz. jumbo whole cashews.

Gift No. 3—HIS MAJESTY'S PLATTER $16.95
The perfect gift for those very special customers or employees. They'll carve roasts, steaks, in this luxurious solid stainless steel tray, or the largest holiday bird. 17½″ x 12″, hardwood inset board makes carving easy, protects knife. Use everyday for sandwiches, appetizers, drinks. Beautiful satin finish stainless . . . never tarnishes. 12 oz. each Imperial Mix and jumbo whole cashews.

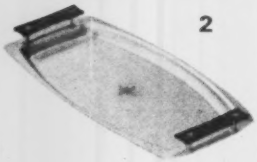
Gift No. 4—GOLD TONE ALL PURPOSE TRAY $4.95
Excitingly different . . . fashioned in new gold tone, leather-grain patterned finish. Designed by West Bend. A smart aluminum tray for serving cocktails, sandwiches, cheese dips. 14¾″ x 7¼″, modestly priced for duplicate giving. Filled with 12 oz. each of appetizing jumbo whole cashew and famous Imperial Mix.

Gift No. 5—ASTAIRE TIDBIT TRAY $2.95
A popular gift you can give in quantity. Lends itself to many needs . . . nuts, candy, cookies and party snacks. New rich leather grain pattern in lustrous gold electro finish. Gift wrapped with 12 oz. of Imperial Mix. Scratch resistant and never tarnishes.



Capco® **NUTS**

1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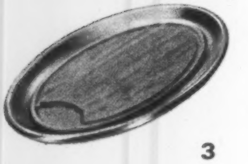
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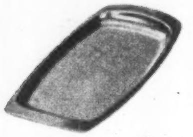
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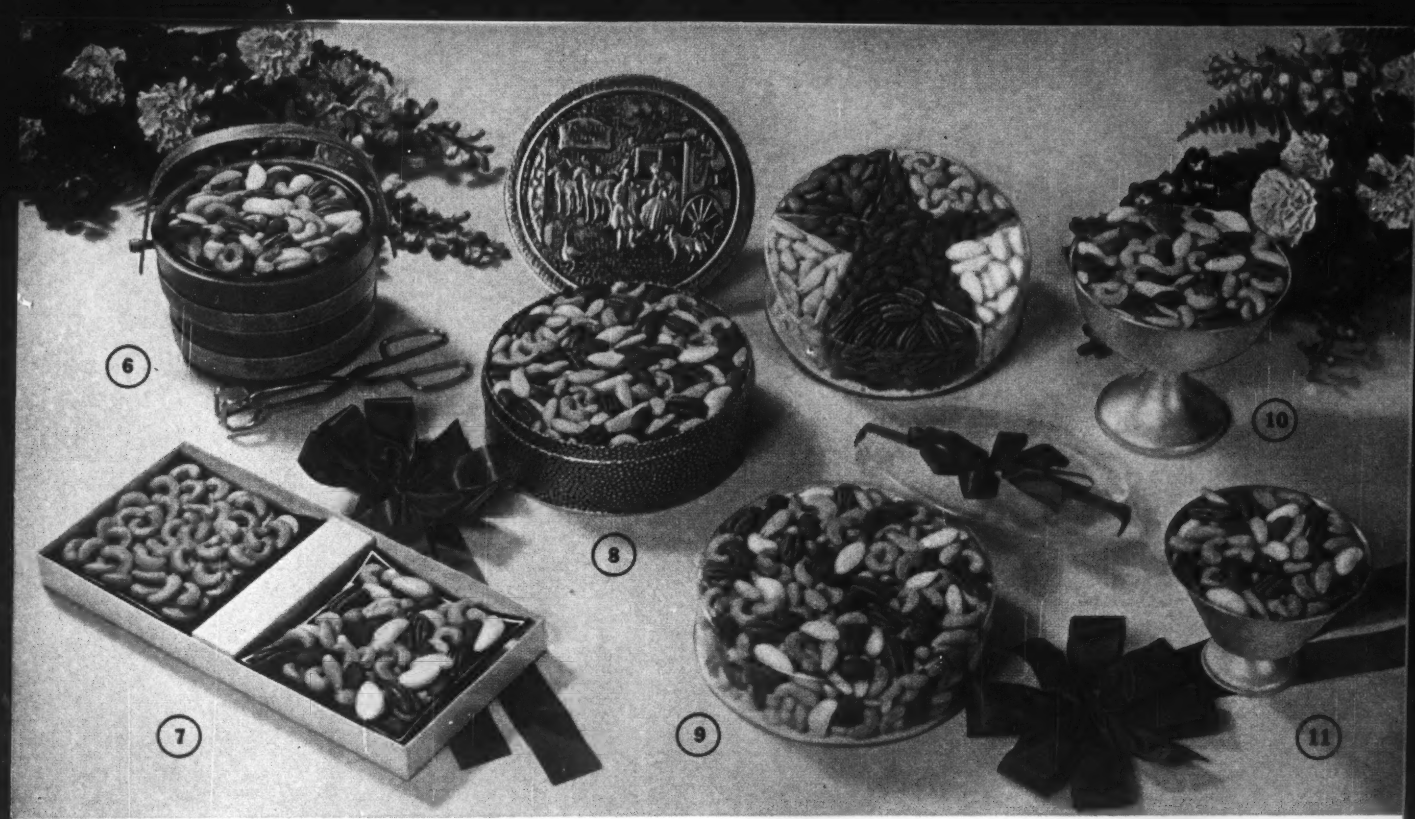


Gift No. 6—WOODEN ICE BUCKET $7.50

A hand crafted wooden ice bucket with plastic liner and sturdy metal tongs made by Woodcraftery Shops. 7" diameter and 4½" high. Early American, in a mellow, brown finish that blends with any setting. Coated with alcohol-resistant lacquer. Gift packaged with 16 oz. of Imperial Mix salted nuts.

Gift No. 7—BLACK MAGIC GLASS TRAYS $3.95

Two strikingly different, transparent black glass trays, exclusively decorated for CAPCO with gay world scenes where nuts are grown. Perfect as a nut or candy dish, ash tray, or coaster. Illustrations will not wear off. One tray is brimming with a 6 oz. bag of CAPCO Imperial Mix, the other with jumbo whole cashews, richly packaged in transparent topped gold and white box.

Gift No. 8—ROUND HAMMERED ALUMINUM BOXES

Impressive hammered aluminum box embossed with antiqued coach design prepared exclusively for CAPCO that can serve 1001 useful purposes later. Filled with nuts of the highest quality—our own Imperial Mix—processed to perfection. The 3 and 5 lb. sizes are also packed with dividers, forming an eye-catching Red Pistachio star sectional design. Other sections made of straight pack Cashews, Almonds, Pecans, Blanched Brazils and Imperial Mix. All boxes carefully packed in individual mailing cartons . . .

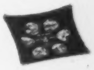
GIFT NO.	SIZE	PRICE
8A	2 lb. Imperial Mix Assortment	$4.35
8B	3 lb. Imperial Mix Assortment	6.20
8C	5 lb. Imperial Mix Assortment	9.90
8D	3 lb. Imperial Mix Star Sectional Design	6.60
8E	5 lb. Imperial Mix Star Sectional Design	10.50

Gift No. 9—TRANSPARENT GIFT BOXES

These gleaming, acetate boxes are filled to the brim with the finest Salted Nuts obtainable—Famous Imperial Mix! Only the very choicest Giant Cashews, Giant Pecans, Giant Redskin Almonds, Giant Blanched Almonds and Blanched Brazils are processed to perfection and offered in this attractive package. All CAPCO boxes are tied with a glistening satin bow . . . carefully packed in individual mailing cartons. The 3 lb. boxes are also available in our eye-catching star sectional design.

GIFT NO.	SIZE	PRICE
9A	1 lb. Cello Box Imperial Mix 6" Diameter	$2.20
9B	2 lb. Cello Box Imperial Mix 7" Diameter	4.15
9C	3 lb. Cello Box Imperial Mix 8½" Diameter	5.95
9D	3 lb. Cello Box Star Sectional Design	6.40

6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Gift No. 10—HIGHGATE SOLID BRASS SERVER $6.50

This compote is a gracefully proportioned — highly polished, solid brass server with scores of home and office uses. Ideal for nut meats, candy, tidbits—or as a base for flower arrangements . . . 6" diameter and 6" high. There's the added attraction of 16 oz. of delicious Imperial Mixed Salted Nuts!

Gift No. 11—LOWGATE SOLID BRASS BOWL $4.45

This gracefully styled solid brass bowl has many uses as a nut or candy dish, for snacks or tidbits, or as a planter in the office or home. Every host and hostess will welcome this beautifully packaged gift packed with 12 oz. of famous Imperial Mix.

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QUANTITY	GIFT NUMBER	DESCRIPTION	PRICE

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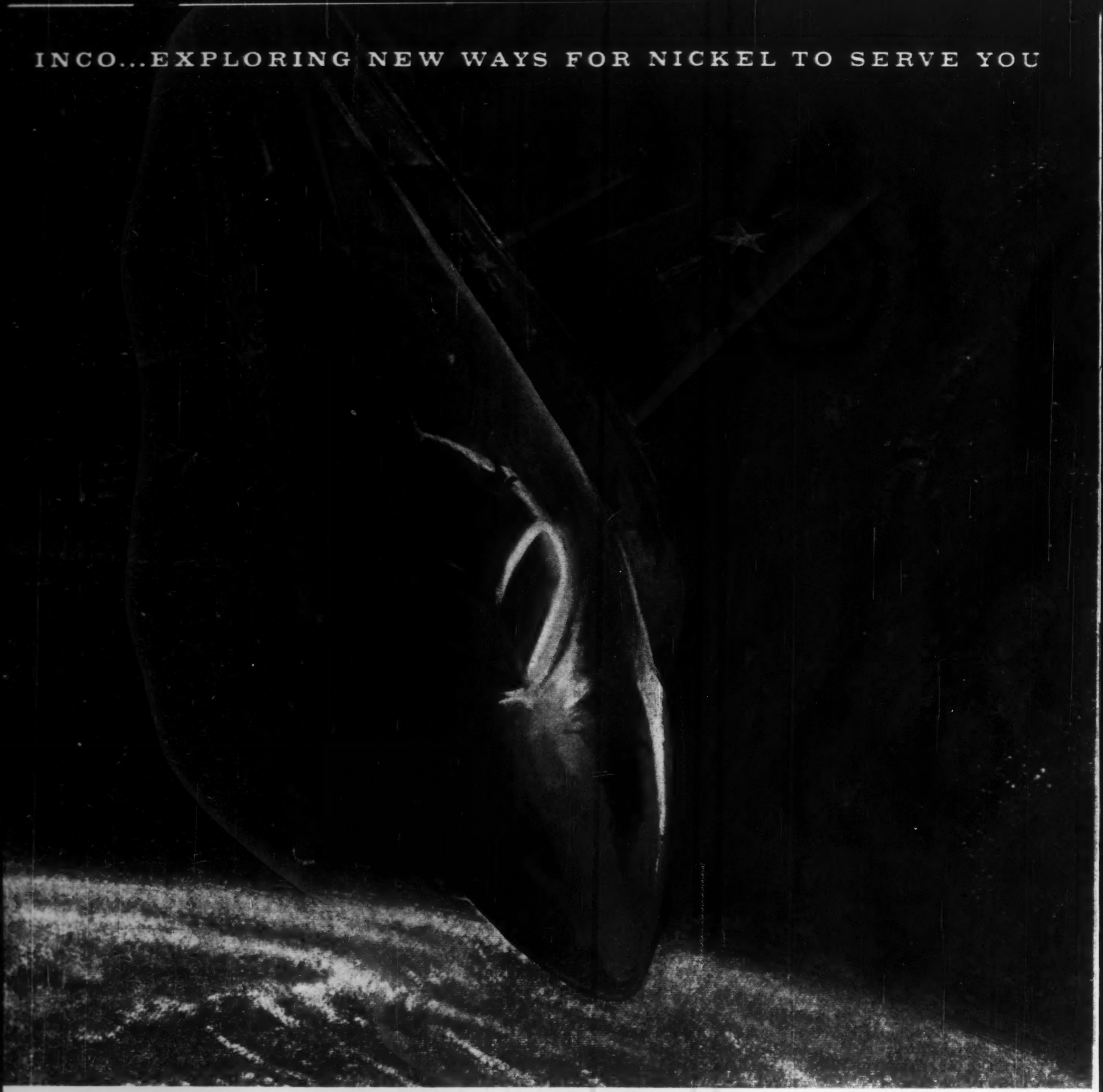
INCO...EXPLORING NEW WAYS FOR NICKEL TO SERVE YOU

Inco provides alloy to safeguard X-15 on hot ride home

When America's latest pilot-controlled research rocket plane, the X-15, re-enters the atmosphere on the way back home, friction can make it glow like a red hot poker. The intense heat on the surface of the ship would soften and weaken materials normally used in aircraft construction.

What kind of metal can be counted on to stay strong at the red heat of re-entry? The answer came from Inco research: a Nickel-containing alloy strong enough to resist temperatures of one-thousand degrees, and more!

Even prior to the advent of the jet engine, Inco research metallurgists had undertaken the problem of developing ever-stronger metals to resist high temperatures. Over 250 compositions were tested in the course of developing a material having properties subsequently found suitable for use in the X-15. This search for a new heat-resistant alloy is one more example of how Inco is *exploring new ways for Nickel to serve you.*

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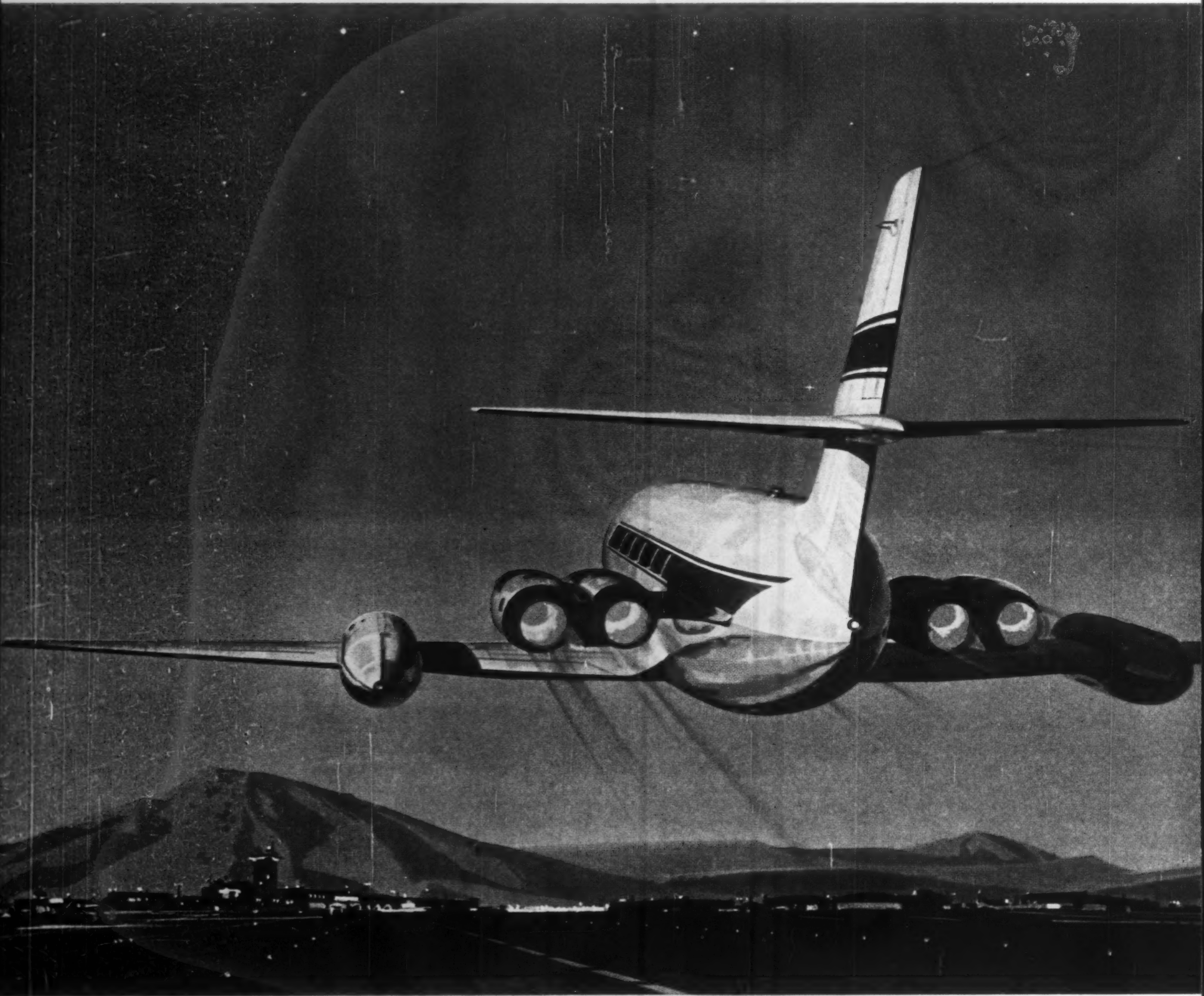

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FLAGSHIP FOR YOUR CORPORATE FLEET

Needlessly fearful of losing the corporate reins, many small businessmen are overlooking the decided advantages of floating stock with outside investors.

Go Public—and Keep Control

HARVEY C. KRENTZMAN

IN Chicago, the owner-manager of a small plastics manufacturing company sits alone in his office, wondering how to raise funds to meet his working capital requirements. Although his company has been growing at the rate of 25% per year, his accounts receivable are completely factored; most of his capital equipment is leased. Profits are going in taxes and in interest payments on short-term loans from commercial banks. How can he build capital in a situation like this?

All over the United States, particularly during this period of general business prosperity, the owners of thousands of small but growing businesses are wrestling with fund-raising problems. The answer for many could be solved in one easy step: by tapping the vast pool of money that is literally waiting to buy stock in a company.

Such a step, though, is often regarded with fear and suspicion by the aggressive, individualistic type of men who start new businesses and make them succeed. Not only do they fear losing control of their companies, their unfamiliarity with SEC regulations and the complexities of public financing makes the step frightening. Added to that, strange terms like price-earnings ratios, convertible debentures, stock warrants and relative yield performance seem to be the language of another world.

The public, on the other hand, has displayed a remarkable interest in investing in small but growing businesses, and without taking control of them. Of 1,589 businesses which registered securities with the Securities and Exchange Commission last year, for example, about 48% were initial offerings. New listings of 110 issues on the American Stock Exchange alone were the greatest in 24 years. The New York Stock Exchange, for its part, had 57 new offerings, more listings than in any year in the last quarter-century.

There comes a time, moreover, in the growth of any successful company when the owner must seriously consider public financing. Too, if he successfully completes his underwriting, he can count on receiving at least five major business advantages

- Going public enables the principals to capitalize on a favorable price-earnings ratio and receive, quite pos-

When Should You Sell Stock?

Nobody can ever truly know just the right time when a company should sell stock to the public; the securities market and general business conditions are far too variable for that. Wall Street financial experts, though, believe that when a company is in one of the following situations the time may be ripe:

- A product or service has proven successful locally and shows the potential to succeed on a regional or national basis.
- A new product has become so successful that an allied new line may be in demand.
- An old-line, conservative firm needs to broaden its line to lower unit distribution and marketing costs.
- A new applied-science product requires additional funds to manufacture and sell, or to continue research and development.
- Already proven profitable, a new merchandising scheme requires added funds.
- Several small, independent firms may wish to merge, forming one large company with a new corporate image.
- A need to purchase new equipment or to add working capital—both being used as a base for future expansion.

Harvey C. Krentzman is president of Advanced Management Associates, Inc., Chestnut Hill, Mass.

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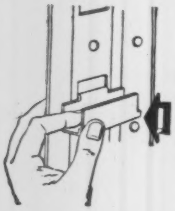
this feature alone should swing you to Borroughs!



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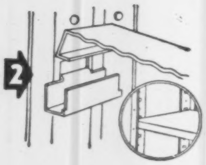

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sibly, more from selling only *part* of the company than they would get by selling all of it outright to a particular, individual buyer.

- Public financing may increase the owner's personal income and protect the estate of the principals.
- Since the company can now offer shares in ownership to key employees by means of stock purchase or stock option plans, the company probably will be able to attract and keep exceptional personnel.
- The extra working capital obtained should enable the company to seize new opportunities for growth and profits.
- Raising capital from the public can bring additional bank financing and/or reduce the cost of borrowing as long as the company continues to show increased profits as it grows.

If smartly handled, moreover, public financing will allow the principals to keep control of their company. At the same time, it will give them funds which need not be paid back in the short run—as do bank loans. One of the best features of public financing, in fact, is that dividends are only paid at the time when the company can best afford them, when it is showing real profit.

The real key to the advantages offered by public financing lies in still another factor: the price-earnings ratio that can be established for the company. The exact ratio, of course, will be derived by the investment house underwriting the company's issue. It is arrived at after exhaustive study of the durability and stability of past and current earnings in addition to the projected earnings growth, tempered by conditions relative to the risk, profitability and future of the entire industry.

How does Wall Street determine this figure? Suppose the company made net profits after taxes of $140,000 in 1960 and has 200,000 shares of stock outstanding. The profit per share then would be $140,000 divided by the 200,000 shares, or 70 cents per share.

Now if the underwriters decide that because of the excellent profit potential shown by the company (and by the industry) the public would be willing to pay $10 per share for the stock, a price-earnings ratio of 15 would have been set. That is, the price the public will pay is 15 times the earnings per share.

This ratio can be used to enable

owners of small, but growing companies to raise capital without relinquishing control over their companies. Assume the company has a net worth before stock issuance of $500,000. At this point, the business is worth $500,000, plus whatever premium a potential purchaser would set on its future profitability. An individual buyer might at the outside pay twice the net worth of the company —or $1 million for complete ownership.

But as a *selling* stockholder, the owner offers 60,000 of the 200,000 shares in the company for public sale. At $10.50 a share, this brings in $630,000. And the owner still has 140,000 shares of stock (worth $1,470,000) left. He has retained 70% control over his company.

What about the ratio?

As a selling stockholder the owner may choose to raise funds either for himself or for the corporation—or both. He can make this decision as time goes on, depending on his personal and/or corporation financial requirements. This second issue will bring in an additional $370,000—and he will still own 52%, or a definitely controlling interest in his company. Thus, by public financing he has raised $1 million for the gradual sale of 48% of the ownership of his company, *vs.* the same amount in an outright sale.

But how does he determine a price-earnings ratio? Ratios range from an extreme high of forty times earnings for electronics, or what might be called an applied science type of issue, to a more reasonable or practical range of eight to twelve times earnings for a plastics or meatpacking type of issue.

For the greater majority of companies considering the public route, it would be wise to consider a price-earnings ratio of from eight to twelve as reasonable. The exception would be if a particular company reflects some explosive new product or service situation, or perhaps is in an industry that is exhibiting explosive growth.

There is another agreement for going public. Options or other stock plans will satisfy the personal goals of key executives. And without a middle-management group, one which normally can be kept only with stock inducements, the typical small businessman spends a great deal of time,

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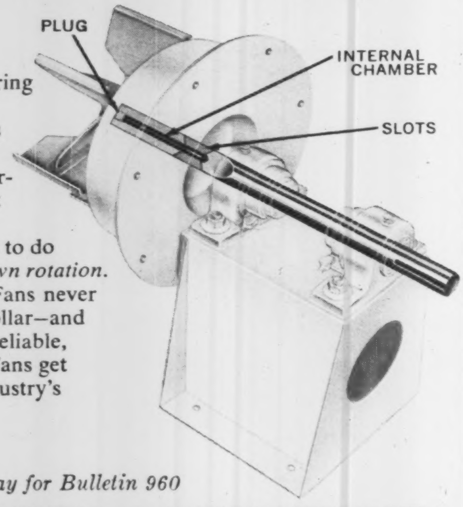

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skill and ingenuity in controlling the flow of funds for equipment, production materials, overhead, and so on. As a practical matter, then, he frequently finds himself spending a disproportionate amount of time on operating details.

To see still other advantages, consider the small cosmetics manufacturer who was operating at the rate of $2 million sales a year. His two major production lines were operating 24 hours a day; even so, a backlog of orders was piling up. To add to his troubles, two of his major pieces of equipment (costing $90,000 each) were wearing out, and just to replace them would leave him with inadequate capacity.

He estimated that he would need $250,000 to $300,000 to modernize and increase his production capacity. By going public he received the necessary funds to install new equipment and to expand capacity. His company obtained a new foothold in the industry, and the owner still retained firm control over his company.

In going public, however, the owner-manager will do well to listen first to his company's lawyer, auditors and banker. Then he must make certain that he selects just the right investment house for his company's stock issue. Picking the wrong house may lead to being refused underwriting for reasons that might have little or nothing to do with the merits of his proposal. It is up to the owner-manager to select just the right one. Competent advice will help him with his choice.

All reputable investment brokers, in turn, require the companies they underwrite to meet the following qualifications: the products or services the company markets—or will market—must evidence strong growth possibilities, particularly in an expanding over-all market; it must show excellent promise for continued increase in sales, per-share earnings and to some degree profit margins; it must display a strong management team.

What does underwriting cost?

The charge for a stock underwriting ranges from about 11.5% of proceeds for offerings between $1 million and $2 million to approximately 22% for offerings smaller than $500,000. As for type of stock to issue, the investment house handling the underwriting will help in deciding whether the public will prefer common stock (usually the most successful for small businesses), preferred stock, debentures, or a combination of those forms of financing.

But what happens after the stock is issued? Are there further advantages that may accrue to the principals who decide to go public?

For one electronic company the personal financial history of the two major partners presents a remarkable success story.

This company was formed late in 1956, and decided to "go public" two years later, with the offering being accomplished early in 1959. The initial issuance of 110,000 shares of common stock was readily purchased at $3. The stock had a rapid rise during 1959, reaching a high of 25 on the over-the-counter market before the board of directors voted a 2½-for-1 stock split.

About one year after its entrance on the over-the-counter market, the stock became listed on the American Stock Exchange and was selling in late 1960 at a range of $11 to $16. The initial share of stock purchased at $3 is currently valued at from nine to fourteen times the original purchase price.

About nine months after the initial stock offering, the company required additional financing to help with its program of expansion. The company then went to market with $500,000 of 6½% convertible subordinated debentures.

The company has exhibited increased sales with increased earnings. As a result, its securities have met a waiting market. And the principals' personal equity? At the time of the initial stock offering, the partners owned 150,000 shares representing a value of $450,000 at the $3 opening price for their common stock. The net worth of the company at that time was approximately $350,000. At current market price for their stock, the equity of the original major partners has increased to a stock value of over $5 million.

This example of amazing growth is obviously far above the average. But the opportunity to succeed does exist. This case clearly shows the tremendous personal capital-gains earnings potential that exists when an individual or a group is able to manage and finance intelligently a growing small business.

Such success, however, is not auto-

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Let us admit this much at the outset. *There is no supervisory development service on the market today that is totally new and unique, or that can guarantee the sort of results you want.*

Almost all of these services put out material that speaks for management well enough, but usually in terms that prevent acceptance by the supervisors themselves.

Realizing the urgent need for such a service that will be read and accepted by supervisors everywhere, the editors of BNA's Modern Management asked literally hundreds of supervisors and managers for their ideas and opinions. Here's what they said:

- One of the greatest needs is for a better understanding by supervisors of business matters and economics. Only when they understand the *profit squeeze, inflation, domestic and foreign competition* can they relate such problems back to their own cost and quality control responsibilities.
- Another great need is to impress upon supervisors that *"getting the job done right"* is more important than just being a "good guy."
- Any such service must keep constantly in touch with changing conditions and attitudes. It cannot act as a bridge between management and their supervisors from an ivory tower.
- Finally, it must be written on matters that interest supervisors, and in a language they understand. If it isn't read, it's utterly worthless.

Today, BNA's Modern Management is a bi-weekly, 4-page letter to supervisors that embodies these research findings.

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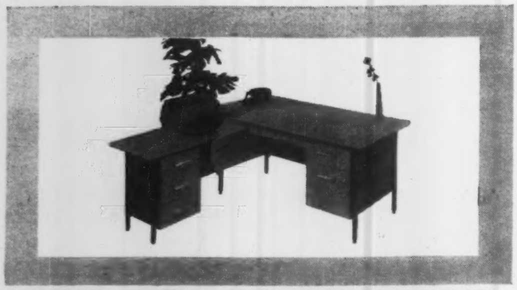

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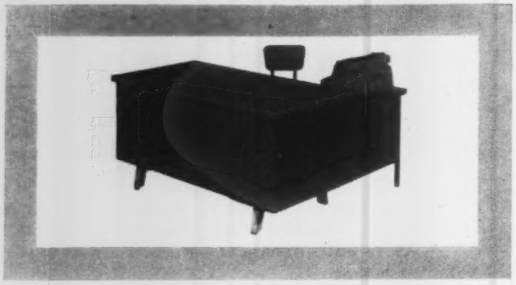

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matic. Extreme care should be taken when a company goes public. Consider the fate of a medium-sized chemical company which went public in 1959. The owner-manager was faced with a growing demand for a new chemical that required a major capital investment. The management hurriedly put together a set of figures that reflected their capital requirements, but somehow failed to include sufficient funds for working capital for the company.

The company went public, the funds were raised, and just after the new facilities went "on stream," management realized its error. A number of problems developed quickly; the broker, and consequently the market, lost confidence, and the market price of the stock that was issued at $5 and rose to 8½ dropped back to a price of $3.

Management was in a squeeze. It was too early to demonstrate a good profitable performance, but new funds were needed. The company was forced to sell a large block of stock privately at the $2-per-share range.

In going public, moreover, an executive must be prepared to face an irate stockholder who is entitled to be made aware of many facts and figures that formerly were held quite secretive. Most owner-managers do not wish to share operating figures, even with their co-workers. Such matters as dollar sales, shipments and earnings all are as sacred as Holy Writ.

The new responsibilities

As head of a public corporation, it must also be remembered, the principal stockholder must set operating policies which recognize his new responsibilities to his stockholders. These responsibilities are governed by the SEC, which administers both the Securities Act of 1933 (relating to sales of securities generally) and the Securities Exchange Act of 1934 (regulating securities traded on exchanges).

Upon going public, the corporation must prepare a registration statement and make subsequent disclosures of detailed facts about the company's business, operations and finances which may never before have been made known outside the company. Now nothing is sacred. Particularly sensitive areas—the pay of officers and directors, the interests of insiders in certain transactions with the

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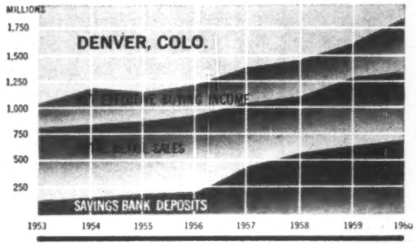

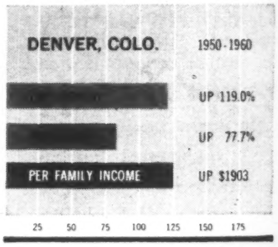

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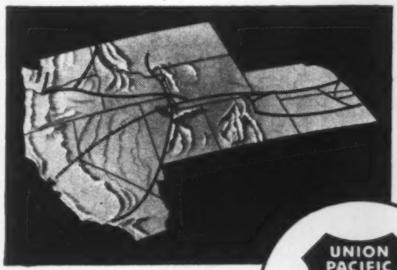

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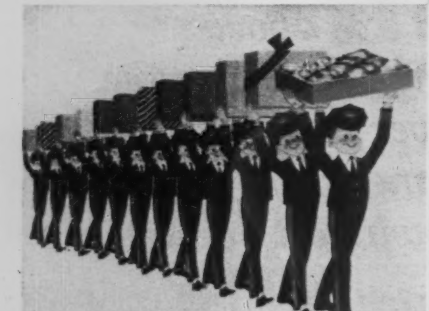

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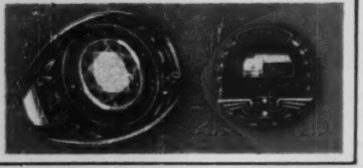

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corporation, the security holdings of officers, directors and controlling stockholders, as well as dollar figures for sales, costs of sales and gross profit—do not escape inspection by the SEC and the investing public.

The corporation must also report monthly on all transactions in the company's equity securities. This information must be made available to the public. The principal shareholders must exercise caution in trading in the company's equity securities. For example, if an officer buys shares of the company and then sells them within six months at a profit, that profit is recoverable by the company. It is well for the owner-manager at least to be familiar with the rules of the game before he decides to play.

The manager no longer stands alone in another sense as he faces the many hundreds (perhaps thousands) of new stockholders, and the SEC. But, as one aid, the growing small businessman can now share this added burden with his board of directors.

How to use a board

The board of directors group which represents the stockholders is a valuable management tool rarely used effectively by small businesses. Perhaps this is due to the small businessman's lack of understanding of its purpose, or perhaps to his unwillingness to accept suggestions. It may be due to the fact that it is difficult to get capable businessmen to serve on the boards of privately held companies. It is often felt such service offers little in the way of personal prestige or profit, since offering direction to a single major stockholder who is also the president of the company, and probably a strong-minded individual as well, often becomes mere sham.

Once the business has gone public, these objections to service on a board of directors dissolve. Now the board of directors really has a function of authority. As a result the aggressive small businessman has an opportunity to attract excellent business talent to help him in the many areas where his lack of specific business know-how needs to be bolstered by their seasoned counsel.

It all adds up to just one more reason why the small businessman might well consider the benefits of going public—and yet still keeping control of the company that he may have built up from scratch. END

Vast sewing room of the Galax plant. Some 450 people are employed — number is expected to triple as operations expand. Hanes officials praise employees as very intelligent, quick to learn, a fine group of people.

P. Huber Hanes, Jr., president of company, pays special tribute to the progressive spirit of the community.

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In 1955, the P. H. Hanes Knitting Co., Inc. leased temporary plant space in Galax, Virginia.

Pilot operations were successful. As plans for a permanent plant moved ahead, people of the area demonstrated their enthusiasm by subscribing ⅔ of its cost. The Carroll-Grayson County area, population only 45,000, raised over a million dollars in just one month — tangible evidence of the progressive spirit of these Virginians. Today the ultra-modern plant, with 5 acres under one roof, is efficiently producing Hanes infants' and children's knitwear; and the people who subscribed ⅔ of its cost are earning 4½% on their investment.

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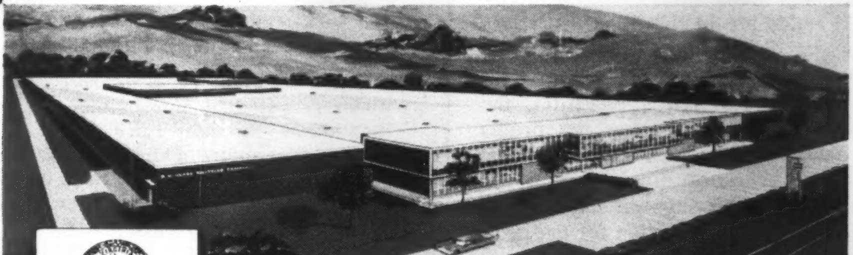

On 27-acre site, Hanes plant will use up to 500,000 gallons of water a day. Nearness to coal fields permits use of economical coal power.

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14 Important Ratios in

MUCH has been made in the last few years of the plight of the retailer. Popular business lore has duly recorded how sharply his operating costs have risen and how brutally competition has squeezed his profit margins. Too often, indeed, the victim himself has been ready to attribute his problems to dark and sinister forces.

Now, though, the DUN & BRADSTREET ratio figures on the opposite page shed new light on those problems. As they show, many retailing operations have done exceedingly well. More than one of these companies, in fact, turns out good profits, manages its finances closely, keeps sharp control over its inventories and does not sink dangerously into debt.

The figures show only too well that for retail companies which recognize that there is a high premium on good management and do all they can to maintain that kind of management, the economic climate is still favorable.

But the executive who studies these figures must heed a few words of caution: he must not look on the median figures as all-important yardsticks for comparison. Often, these medians are regarded as showing normal financial relationships in retailing industries. This belief, however, can lead an executive to the idea that the median performance is the acceptable one.

This is why retail executives should, instead, focus their attention on the ratios in the upper quartiles. There are some startling contrasts in the performance of companies whose financial ratios are in the upper quartiles, compared with those that fall in the "average" range.

Hit by last year's recession, the 1960 median ratios for net profits on net sales and for net profits on tangible net worth dipped even below the dismal showings reflected in the 1959 ratios. The median for net profits on net sales was less than 2% in nine of the twelve lines of business. And the median for net profits on tangible net worth was less than 12% for all but two of the twelve types of retail business.

But despite the recession, the retailers whose financial ratios fell in the upper quartiles had a fine year. In all but one line of business their net profits on net sales were above 2%, and in seven of the twelve lines their net profits on tangible net worth were over 10%.

Clearly, there is a big gap in financial results between a retailing firm that puts on an average performance and one whose performance is superior.

This also shows up dramatically in two other important ratios: net sales to tangible net worth and net sales to inventory.

The first is a measure of capital turnover. And it is a vital one, for retailing demands that capital be kept at work creating and financing sales. In eight of the twelve retailing lines, the companies lumped in the median figure turned their capital over less than three times a year. But in all but one line of business, the companies in the upper quartiles had a capital turnover of much better than three times a year.

The second is a measure of a retailer's inventory control, reflecting the number of times a year he turns over his inventory. Again, in eight of the twelve lines the median figure ran below five times a year. And in ten of the twelve lines it stood at better than five times a year for those in the upper quartiles.

To sum it up: it takes sharp management to make a good profit in retailing—but it can be done. Or, as the irrepressible Franklin P. Adams summed it up: "The race is not always to the swift, but that is the way to bet!" —RICHARD SANZO

How the Ratios Are Figured

To the economist and the statistician, terms like "median" and "quartile" are everyday working language, no more mysterious than "gross markup" to the retail store proprietor. But though they involve precious dollars and cents, their precise meaning is foggy at best to many businessmen.

In the ratio table facing this page, three figures appear under each ratio heading for each retail line. The center figure, in bold type, is the *median;* the figures immediately above and below the median are, respectively, the *upper* and *lower quartiles.* To understand their use, the executive must also know how they are calculated:

First, year-end financial statements from concerns covered by the survey are analyzed by DUN & BRADSTREET statisticians, who calculate each ratio individually for each concern in the sample.

The individual ratio figures, entered on data-processing cards and segregated by line of business, are then arranged in order of magnitude—the best ratio figure at the top, the weakest at the bottom. The figure which falls just in the middle of this series becomes the *median* for that ratio in that line of business. The figure halfway between the median and the highest term of the series is the *upper quartile;* the term halfway between the median and the bottom of the series is the *lower quartile.*

In a strictly statistical sense, then, each median is the *typical ratio figure* for all the concerns studied in a given retail line. The upper and lower quartiles, in turn, typify the experience of the firms in the top half and the bottom half of the sample, respectively.

12 Retail Lines—1960

Line of Business (number of concerns reporting shown in parentheses)	Current assets to current debt	Net profits on net sales	Net profits on tangible net worth	Net profits on net working capital	Net sales to tangible net worth	Net sales to net working capital	Collection period	Net sales to inventory	Fixed assets to tangible net worth	Current debt to tangible net worth	Total debt to tangible net worth	Inventory to net working capital	Current debt to inventory	Funded debts to net working capital
	Times	Per cent	Per cent	Per cent	Times	Times	Days	Times	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
Clothing, men's and boys' (174)	3.79	4.89	9.38	13.97	3.39	4.31	**	5.0	6.5	23.5	58.6	62.7	40.3	12.8
	2.67	**1.71**	**3.71**	**4.64**	**2.39**	**2.95**	**	**3.6**	**14.2**	**49.4**	**96.7**	**92.9**	**65.4**	**34.9**
	1.95	0.51	1.26	1.54	1.70	2.28	**	2.6	30.2	80.7	157.4	130.7	98.8	68.8
Clothing, men's and women's (89)	5.81	5.71	15.05	22.15	3.85	5.42	**	6.1	6.5	13.2	33.4	53.4	33.5	8.5
	3.51	**1.15**	**3.80**	**5.47**	**2.90**	**4.22**	**	**4.1**	**18.1**	**31.8**	**65.3**	**73.7**	**53.1**	**34.2**
	2.26	0.66	2.33	2.96	1.53	2.87	**	2.7	34.1	72.3	135.7	116.1	83.0	48.4
Department stores (427)	5.44	2.97	7.29	10.89	4.03	5.02	**	7.2	13.0	16.3	41.3	47.8	41.9	15.2
	3.50	**1.73**	**4.89**	**6.37**	**2.85**	**3.80**	**	**5.7**	**24.9**	**29.2**	**64.6**	**64.7**	**64.1**	**30.6**
	2.32	0.72	2.29	2.57	2.17	2.92	**	4.4	44.9	56.0	114.9	92.2	93.2	60.2
Dry goods (86)	18.08	7.92	13.30	26.00	3.24	5.07	**	5.3	5.1	5.7	33.3	57.1	11.7	17.0
	5.11	**3.36**	**5.20**	**11.96**	**1.56**	**2.71**	**	**3.7**	**14.7**	**16.0**	**64.4**	**79.5**	**32.9**	**41.4**
	2.29	1.24	2.93	4.01	1.16	1.76	**	2.8	26.9	43.3	145.8	113.5	68.4	85.0
Furnishings, men's (43)	5.62	6.99	12.97	25.09	3.49	4.09	**	4.0	6.2	15.0	55.2	69.1	28.5	15.9
	2.87	**2.95**	**4.55**	**7.34**	**2.23**	**2.45**	**	**3.1**	**15.1**	**43.0**	**78.0**	**93.4**	**51.8**	**35.8**
	2.05	0.68	1.66	1.95	1.33	1.40	**	2.3	34.3	73.7	162.8	150.8	74.9	54.0
Furniture, 50 per cent or more instalment (132)	7.75	3.99	6.72	6.84	2.20	2.36	108	5.6	3.2	14.4	34.3	25.7	44.3	11.0
	4.36	**2.06**	**3.67**	**3.84**	**1.66**	**1.79**	**186**	**4.5**	**7.8**	**32.7**	**60.8**	**37.3**	**77.2**	**21.0**
	2.67	0.22	0.28	0.35	1.22	1.22	237	3.5	19.6	57.8	105.7	55.1	132.1	34.4
Groceries and meats, chain (71)	2.66	1.47	14.79	33.28	13.02	24.75	**	16.4	48.1	35.3	60.1	105.4	57.7	25.7
	2.09	**1.04**	**10.26**	**19.06**	**9.41**	**17.35**	**	**14.5**	**64.9**	**50.9**	**86.2**	**116.6**	**74.1**	**66.5**
	1.55	0.58	6.64	11.74	7.88	13.66	**	13.1	102.6	62.5	119.6	122.7	94.2	111.1
Groceries and meats, independent (51)	2.23	2.63	21.89	67.88	13.36	52.50	**	33.5	29.7	32.7	45.1	72.4	80.7	18.9
	1.61	**1.35**	**12.18**	**45.61**	**10.32**	**25.71**	**	**23.1**	**57.3**	**48.2**	**63.6**	**124.3**	**118.8**	**80.3**
	1.12	0.33	5.60	18.17	6.91	16.86	**	15.9	91.3	82.3	95.9	169.1	176.7	197.6
Hardware (42)	14.59	7.05	7.21	12.17	4.11	5.94	**	4.1	7.1	6.6	37.4	61.6	16.9	10.8
	3.11	**1.58**	**4.19**	**5.35**	**1.96**	**3.50**	**	**3.4**	**18.5**	**26.0**	**48.2**	**91.3**	**56.6**	**18.3**
	1.93	0.88	2.26	3.18	0.77	1.76	**	2.5	41.9	47.9	123.2	133.9	79.0	50.0
Lumber and building materials (175)	8.16	3.39	7.37	10.91	3.27	4.85	41	6.9	11.3	10.8	29.2	46.7	26.9	10.3
	4.67	**1.55**	**4.84**	**6.84**	**2.20**	**2.96**	**55**	**4.9**	**20.0**	**20.7**	**57.7**	**62.8**	**53.5**	**23.4**
	2.49	0.49	0.94	1.80	1.62	2.20	83	3.6	30.9	48.4	89.9	79.4	97.9	37.1
Shoes (78)	4.46	3.46	9.40	14.73	5.26	8.08	**	6.2	5.8	21.5	43.0	86.0	33.4	13.2
	2.57	**1.46**	**5.47**	**7.40**	**3.53**	**5.67**	**	**4.2**	**13.7**	**38.6**	**59.9**	**111.7**	**55.7**	**20.0**
	1.73	0.43	2.47	3.53	2.04	2.70	**	3.1	32.8	73.2	103.7	160.1	81.0	40.7
Women's specialty shops (205)	3.93	3.72	12.04	17.86	4.79	7.77	**	8.4	10.6	25.2	72.0	42.9	58.9	13.7
	2.52	**1.69**	**6.21**	**7.98**	**3.24**	**4.33**	**	**6.3**	**21.8**	**51.2**	**100.7**	**67.9**	**97.9**	**29.8**
	1.76	0.63	2.40	2.97	2.09	2.92	**	4.4	42.1	86.4	151.4	107.6	153.2	58.6
DEPARTMENT STORES—BY SIZE (TANGIBLE NET WORTH) CLASSES—MEDIANS ONLY														
Under $250,000	**3.07**	**1.30**	**4.27**	**4.53**	**3.50**	**4.01**	**	**4.9**	**23.3**	**48.1**	**119.1**	**90.5**	**53.3**	**57.0**
$250,000–$1,000,000	**4.07**	**1.79**	**4.88**	**5.93**	**2.78**	**4.06**	**	**5.3**	**21.0**	**23.7**	**57.9**	**63.1**	**58.3**	**28.0**
Over $1,000,000	**3.48**	**1.76**	**5.02**	**7.82**	**2.68**	**3.73**	**	**6.5**	**33.3**	**27.7**	**55.9**	**59.6**	**74.0**	**29.6**

**Not computed; necessary information as to the division between cash sales and credit sales was available in too few cases to obtain an average collection period usable as a broad guide.

Definitions of Terms

Collection Period—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any), less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable (plus any discounted notes receivable) by the average credit sales per day to obtain the average collection period.

Current Assets—Total of cash, accounts and notes receivable for the sales of merchandise in regular trade quarters, less any reserves for bad debts, advances on merchandise, inventory less any reserves, listed securities when not in excess of market, state and municipal bonds not in excess of market, and United States Government securities.

Current Debt—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as gross reserves for Federal income and excess profit taxes, reserves for contingencies set up for specific purposes but does not include reserves for depreciation.

Fixed Assets—The sum of the cost value of land and the depreciated book values of buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

Funded Debt—Mortgages, bonds, debentures, gold notes, serial notes, or other obligations with maturity of more than one year from the statement date.

Inventory—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

Net Profits—Profit after full depreciation on buildings, machinery, equipment, furniture, and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reduction in the value of inventory to cost or market, whichever is lower; after charge-offs for bad debts; after miscellaneous reserves and adjustments; but before dividends or withdrawals.

Net Sales—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

Net Sales to Inventory—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover, which would be determined by reducing the annual net sales to the cost of goods sold and then dividing the resulting figure by the statement inventory.

Net Working Capital—The excess of the current assets over the current debt.

Tangible Net Worth—The sum of all outstanding preferred or preference stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as goodwill, trademarks, patents, copyrights, leaseholds, mailing list, treasury stock, organization expenses, and underwriting discounts and expenses.

Turnover of Tangible Net Worth—The quotient obtained by dividing annual net sales by tangible net worth.

Turnover of Net Working Capital—The quotient obtained by dividing annual net sales by net working capital.

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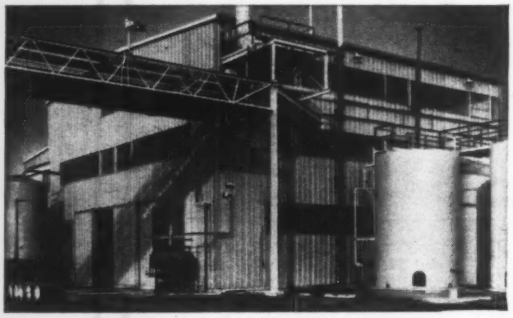

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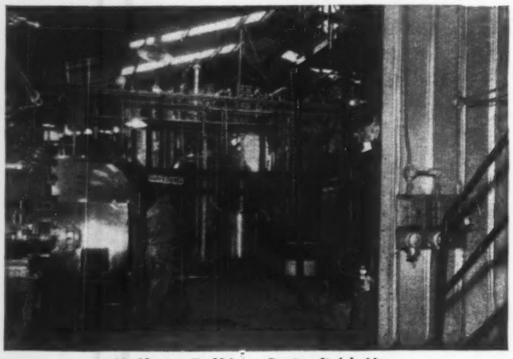

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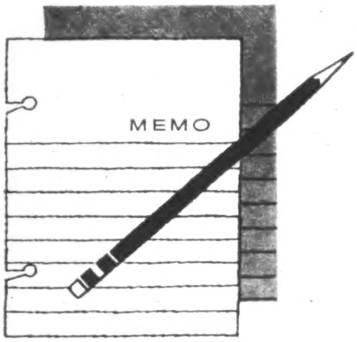


Personal Memo

√ *New policies for health*

√ *Stock options vs. salary boosts*

√ *Traps in tax-free spin-offs*

THERE is a host of different twists to the new lifetime health insurance policies now being sold to people over 65 years old. So diverse are some of these twists, in fact, that executives nearing retirement age and younger businessmen who help support parents over 65 should be vitally certain that they are aware of all of them.

First thing to watch for are the differences between the two main types of over-65 policies:

- Group-approach policies, written only during specific periods and in specific areas of the country, give hospital and surgical coverage without a physical examination. Premiums for them run from $78 to $108 a year.
- Personal policies are issued any time, anywhere, but the insurance companies can insist on examining applicants for these policies. Their premiums run from $86 to $241 a year.

If the group-approach policies cost less, however, the holder of them must understand that they also have some disadvantages. For one thing, their benefits are fewer, sometimes meeting less than half of a hospital's daily charge. Too, many impose a waiting period of six months before you can claim benefits for a recurring illness that sent you to the hospital anytime during the year before you took out the policy.

For the extra cost of the personal policies, of course, there are extra benefits. Depending on the size of the premiums, these pay up to $25 a day against the cost of hospitalization, allow higher surgical fees than group-approach coverage, sometimes include extras like out-patient and nursing care. Most of the big-benefit plans—catastrophic and major medical insurance schemes—fall in this personal policy area.

Watch, too, for tax savings from both group-approach and personal policies if you contribute more than half your parents' support. Many older people are rushing to take out these policies, and they often feel that by paying the premiums themselves they are helping take a load off an already burdened son.

This might be good for their morale. But it is a lot better for their son if they let him pay the premiums. These become, for him, a deductible medical expense to be taken from taxes without first subtracting from the expense 3% of his adjusted gross income. He should be able to lop $100 or more a year from his taxes.

• • •

High-paid executives have long preferred stock options to salary increases, assuming that the capital gains tax they paid on the sale of option stock left them much more in their pockets than would a straight salary increase.

Now, though, one businessman has done some sharp-pencil figuring and has made some startling findings.

Restricted stock options, it now appears, may not benefit either employee or company. And this may be true even when the employee pays 95% of the fair market value of the stock when the option is granted.

How did this upset result come about? The businessman in question held his stock for six months, until he could make a profit of $1,000. That amount also happened to be the difference between the price he paid for the stock and the fair market value at the time he bought it. Of the $1,000 profit, Internal Revenue took $250 in capital gains tax, leaving him with $750.

What would have happened if he had taken a salary increase instead of the options? The executive worked it out this way:

His company was out $1,000—the difference between the price it put on the option granted to him and the price it could have obtained by selling the stock on the market. The company, in its 52% tax bracket, could have given him a raise of $2,083 for the same net cost to its treasury. Since he himself is in the 50% tax bracket, he would have cleared $1,041 from the salary increase. Thus he would have made $291 more than he did by exercising those cherished options. Nor would he have had to run any of the risk that is inevitably built into the common stock of even the most blue-chip company.

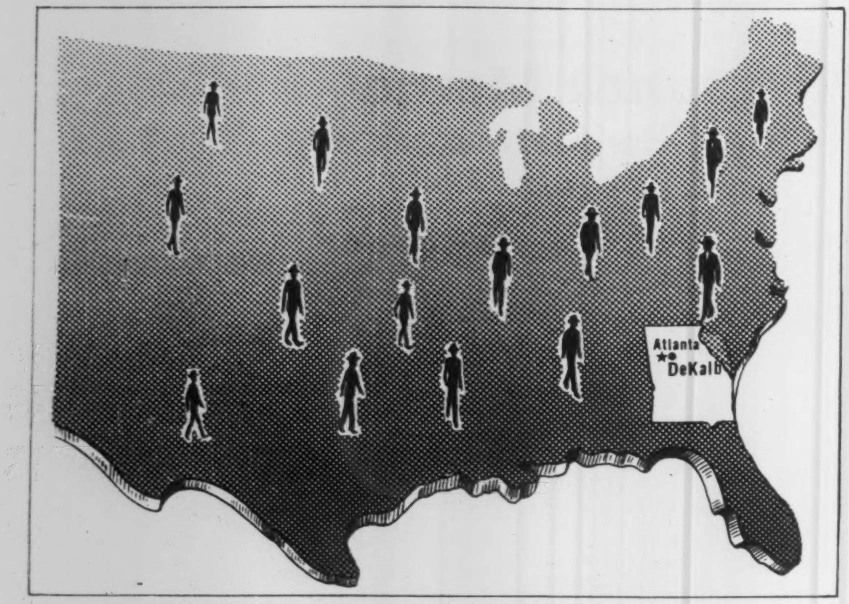
• • •

With long-term car lease plans spreading around the country, it may pay you to look into these before you buy a new second car for yourself or a group of new models for your company's auto fleet.

Just now, the newest such scheme, called Car Plan Systems, Inc., operates only in Florida and the New York City area. Branches will be opening in other cities this year, and still other forms of this plan are being put into effect.

On a two-year contract, Car Plan Systems charges monthly rentals from $100 for a compact to about $200 for a Cadillac. You have to buy your own oil and gas and pay to have the car washed.

But there may be some significant cash savings. How much depends on the kind of car you would otherwise buy and on the way you would treat it. The fixed monthly fee covers all insurance premiums on the car and all



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maintenance and repair charges. The insurance provided is a standard auto liability policy covering all adult drivers in your family or, if the lease is in your company's name, all your business agents.

Aside from cash savings, the scheme makes for simpler accounting since the fixed fee plus oil and gas costs make an orderly record of tax-deductible business expenses. It also assures—to anyone with a good driving record and a sound credit rating—the right to an immediate replacement in case of an accident or a breakdown.

Under the lease, you can drive up to 10,000 miles a year for the set fee. Businessmen who need more mileage should ask for a special lease if they are to avoid the 2-cents-a-mile surcharge over the 10,000-mile limit. Two-year leases are standard for Car Plan Systems; you can get a shorter one—but only at higher cost.

• • •

New Tax Court rulings post traps for tax-free spin-offs. Executives in medium-sized companies in particular, where the smaller size makes for easy spin-offs, should watch out for them.

The law says that a company that engages in two businesses for more than five years can spin one of them off to its stockholders without risk of the shares being taxed as a dividend.

The operative word is "engages." Just going through the motions of running that second business will not satisfy the Government.

The latest ruling arose from the case of a family-owned company that bought an office building and moved into several floors of it, a space that accounted in all for more than two thirds of the building's rentable area. After six years the company decided to set up a separate corporation to operate the building. The family members acquired this newly issued stock from their original company and treated it on their tax returns as a tax-free spin-off.

The court said "no." Taking a look at the rent rolls and the space their company occupied in the building, it held that the family-owned company was not actively "engaged" in running an office building. Renting space to outsiders was, in fact, only incidental to the business of running that original company.

When your employees talk about you, do they know what they're talking about? Do they understand your company's generous welfare program? If not, you need Employee Security Service from The Travelers. At no cost to you, a special Travelers representative sees each employee personally and shows him how his group insurance and social security benefits fit his pattern of personal protection. If an employee needs more personal insurance, the Travelers man can supply it from a portfolio of policies designed especially for E.S.S. And you can help him budget the premiums with salary deductions. More than 2500 companies are improving morale with Employee Security Service. To put your company under the Travelers umbrella, see your Travelers man.

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Fort Wayne Leasing Co., Fort Wayne
IOWA
Atlas Warehouse Co., Burlington
Brown Truck Leasing Corp., Des Moines
General Leaseways Co., Davenport
Iowa Warehouse Co., Waterloo
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Feld Truck Leasing, Kansas City
LOUISIANA
American Truck Rental, New Orleans
Tri-State Truck Leasing Co., Shreveport
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Gersonde Leasing, Inc., Benton Harbor, St. Joseph
Peel Bros., Grand Haven
Star Truck Rental, Inc., Grand Rapids
Transport Rentals Company, Detroit
MINNESOTA
General Leasing Corp., Winona
National Car & Truck Rentals, Minneapolis, St. Paul
Wallwork Lease & Rental Co., Moorhead
MISSOURI
Feld Car & Truck Leasing, Kansas City
Motor Transportation Co., St. Louis
Rubert Truck Leasing Co., Springfield
NEBRASKA
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NORTH DAKOTA
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Acme Truck Leasing, Mansfield, Marion
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Motorlease, Inc., Youngstown
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Street & Highway Transportation Service, Cincinnati
Tri-Val Lease, Inc., Dover
Trucklease, Inc., Cleveland, Toledo
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TENNESSEE
Carl Carson Co., Memphis
TEXAS
American Truck Rental, Fort Worth, Port Arthur
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Hunsaker Truck Lease, Inc., Dallas, Houston
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Pollock Truck Leasing Co., Strathroy, Ont.
Security Truck U Drive, Ltd., Winnipeg, Man.

Write for a complete listing of NATIONALEASE affiliates showing additional affiliates supplying leasing service throughout the rest of the United States and Canada.

The stock in the building corporation was taxed as a dividend. The family lost all the benefits of the spin-off that it had hoped to gain.

• • •

Bifocals can be bedeviling for many businessmen who are forced to wear them, but a new change in lens design may make them easier to use.

The problem for a man who must mix frequent conferences with heavy reading of reports is one of constantly refocusing his eyes as he looks first through the top part of the lenses, then through the small semicircles at the bottom of each lens. Now new lenses, called "executive bifocals," are made with the entire lower half ground to correct the wearer's farsightedness. This eases the work of the eyes.

But there's a choice here between comfort and vanity. The new glasses take a lot less getting used to, but make it much more obvious that the wearer is farsighted.

• • •

To the businessman who likes to take his vacation in the wintertime, the airlines offer several inducements for a cold-weather break.

Jet fares to Europe and the Middle East from October 1 to March 31 offer sharp reductions from many of their on-season rates. All the transatlantic carriers, U.S. and foreign, have these specials, though a few restrict the savings only to those who buy first-class tickets. One further catch is that some of the specials apply only to seventeen-day excursions, allow no more and no less time for traveling.

Domestic airlines are also bidding for more transcontinental travelers with a big year-round cut in rates. This cut, too, has a time limit. You cannot use the return half of your transcontinental ticket sooner than thirteen days or later than thirty days after you start your trip. The rule obviously favors vacationers rather than men on business trips.

Businessmen can benefit—indirectly—from the 50% reduction in first-class fares for college students. If you are sending your children back to college by air they can get the cut rate—so long as the flight they want is not crammed full of full-fare revenue passengers. —P.H.D.

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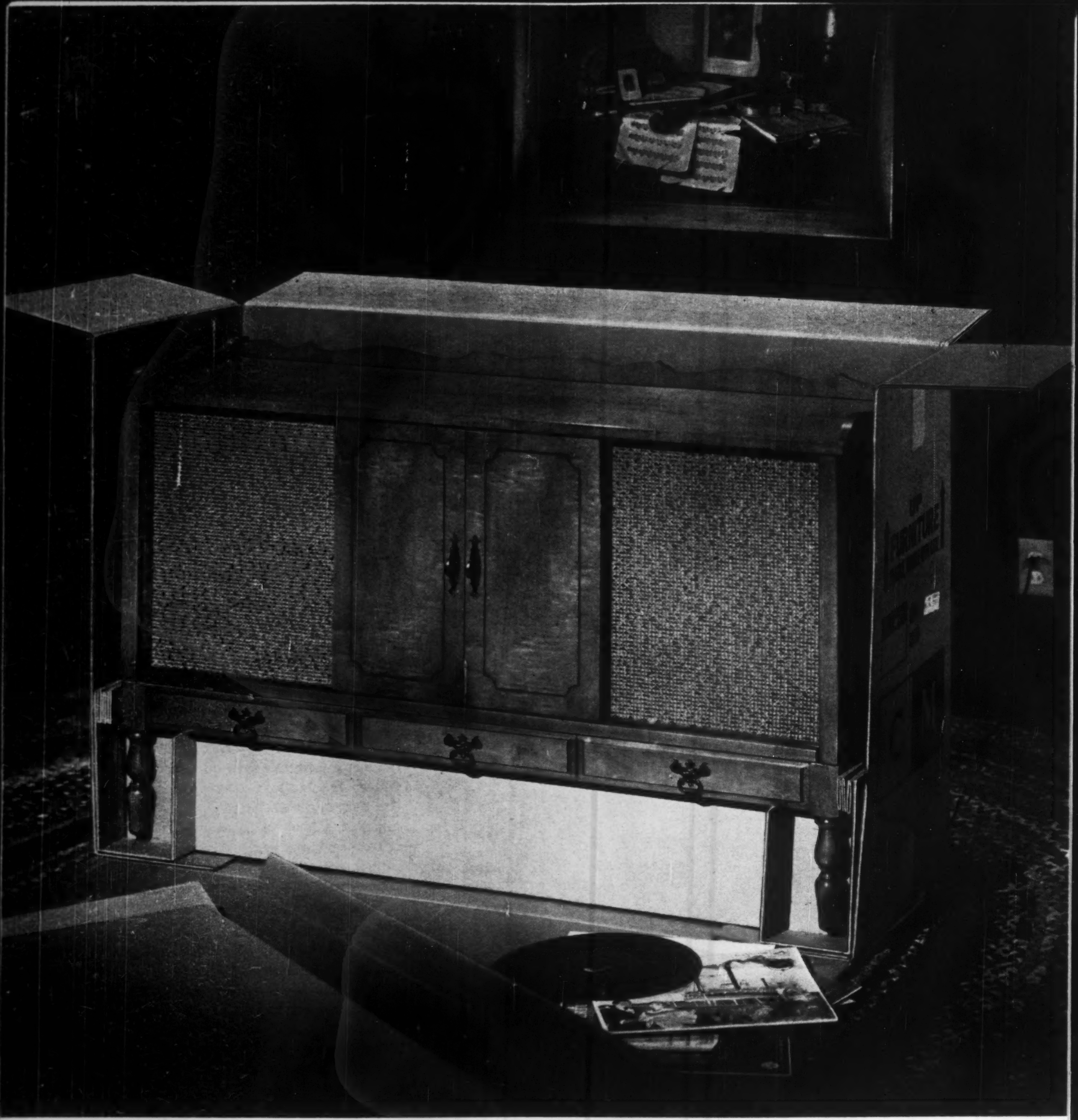

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EXECUTIVE BOOKSHELF

CHAIRMAN OF THE BORED, *by Edward Streeter. Harper & Brothers. 274 pages. $3.95.*

Graham Crombie was founder and president of the largest investment-counsel company in the country. He had spent most of his adult life in the hectic world of high finance and the Big City. Now he was being retired, casually "tossed onto the scrap heap," all because he had decreed mandatory retirement for employees at 65—never dreaming that it might apply to him.

What to do? Well, what does everybody do? Move to the country. Mr. and Mrs. Crombie found the "perfect" house, 18th century New England, complete with "roaring" brook and red barn, not too far from New York and big enough for the expected visits from the children and grandchildren. Mr. Crombie embarked on a full schedule of hobbies—a workshop, gardening, reading—all the things he never had time for before.

But it didn't quite work out as planned. The "perfect" house was in constant need of repair. The children lived in the country themselves, and did not consider it much of a treat to spend their free weekends there, too. Mr. Crombie's workshop was spotless and pure, but he never used it ("How in the world did one attach a pegboard to a stone wall?"). The weeds turned out to be flowers (and vice versa), while "the world refused to hold sacred the privacy of a man who was merely reading."

After a year in the country, the Crombies moved back to New York, and Mr. Crombie began a new business.

Edward Streeter's touch is light and deft—and sure. His portrayal of city folk displaced to the country is funny and touching. And having spent many years in banking, he is well acquainted with the high-pressure world of Wall Street which he describes.

But behind the banter in *Chairman of the Bored* is a more serious theme: the need of a man to follow his true nature and to contribute. Retirement did not bring Graham Crombie the freedom he had hoped for. He was a creative man, and he had to create.

—C.L.

IN LESS THAN AN HOUR

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Sales & Distribution

- *Garment maker turns discounter.*
- *Housewives put the heat on supermarkets.*

LIFE is probably tougher for a marketing man in the garment industry than in any other line of business. The public's taste in what it wants to wear is every bit as fickle as a spring day. There is virtually no way for a manufacturer or a retailer to tell whether he has misjudged that taste until his error is made. Then it is too late, and sales drop sharply, a turn many garment makers cannot stand because they work on thin reserves of capital.

This has bothered the garment makers for decades. They talk about it all the time, but few have ever tried to do anything about it.

The Maverick

One of the few who is trying now is Charles C. Bassine, chairman of Spartans Industries, Inc., one of the major mass producers in the garment industry. For the last 25 years Bassine's Spartans Industries has been turning out a wide range of low-price skirts, slacks, dresses, coats and so on in plants that branch out from Sparta, Tenn. (hence the company's name) to half a dozen sites from Arkansas to Hong Kong.

"The whole distribution system in the garment industry is crazy," says Bassine. "The buyers and the retailers have just as many whims as the customers, just as many screwy reasons why they'll buy your goods one month and won't touch them the next month. Maybe they suddenly decide they don't like the cut of your salesman's hair or something just as irrational as that."

Bassine has not set out to change this hectic distribution system but to avoid it altogether. He has set up a string of discount stores through the populous midsection of the country, and channels to them a growing share of Spartans' own output. Bassine believes—and so far as DUN'S REVIEW can establish, he is correct—that Spartans is the first soft-goods manufacturer in the country to take on such a project.

"Some of the other guys in the business," says Bassine, "said we were crazy when we first decided to do this. But now they're beginning to talk about trying the same thing themselves."

Bassine is moving headlong into the discount business, which is at least as brutally competitive as the garment industry. Late this summer he had opened 14 stores, expects to have 25 by mid-November. In September he was negotiating leases for his fiftieth store.

These are full-line discount stores, selling anything from shirts to auto

SPARTANS' Charles Bassine tries a new approach to beat "the system."

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tires or power tools. They buy the bulk of their stock from other manufacturers. In fact, only about 1% of each store's volume is made up of Spartans' own products. "That's the present balance, anyway," says Bassine, "but we can change it any time we want."

As things stand, then, Spartans' discount stores now absorb 14% of its garment production, will take 25% by mid-November, and so on up as the chain grows. Bassine does not commit himself to opening 100 discount stores and having them absorb all of his plants' production. But it is certainly his plan to sell in his own stores the bulk of what his factories make.

In this there are large savings. Much of Spartans' credit department is dropped because it is increasingly its own best customer. Ticketing and packing the factories' goods are greatly simplified. Says Bassine: "Just a few changes like these amount to a saving of as much as 2% of the selling price of the goods."

Estimates of the return on capital to be made from the discount stores are, he says, "almost frighteningly good"—but he will not reveal the figures. Not long ago he added another high-profit line for his stores: a chain of ten Midwestern drug stores that was already operating leased concessions in some of Spartans' discount centers.

But what of the recent spate of warnings from marketing men that discount stores are overbuilt and that the already high casualty rate is bound to soar? Bassine says this fear does not bother him. "The ones that will die," he says, "are those that are filled with leased concessions over which no one company has control of quality or price."

A Woman's Prerogative

Year by year the nation's supermarkets are losing the favor of the average U.S. housewife. She is not refusing to shop in supermarkets, but she is getting increasingly disenchanted with the service they provide.

Those, at least, are the conclusions to be drawn from a survey of 12,000 women shoppers made not long ago by Paramount Paper Products Co. of Omaha. Of all those who get their weekly supplies at supermarkets, better than 51% said they did not really like to shop in supermarkets. Only 40% showed any enthusiasm at all for the big self-service stores.

Paramount Paper made similar surveys in 1952 and 1957. In the nine years since the first survey, the proportion who said they did like to shop in supermarkets dropped from 54% to 40%.

Why do they object to the supermarkets? The women, it seems, want all the conveniences of the supermarkets—and all the crackerbarrel atmosphere of the corner store to boot. They told Paramount Paper's surveyors that supermarkets are too crowded, that employees are not helpful, that they find it tiring walking around the stores because the floors are too hard, that too many supermarkets have the atmosphere of a well-lighted warehouse. They said they wanted to be able to order by telephone from supermarkets, get supplies delivered to their homes and open charge accounts once they are recognized as regular customers.

Of course all these services would cut out the very heart of the supermarket's function: self-service, cash transactions, low markups and high volume.

So what is the likely result of the findings? Probably a new round of gimmicks to be added to the supermarkets: more piped-in music, more pastel-shade paint on the walls, more effective—but not necessarily brighter—lighting.

The Money Machines

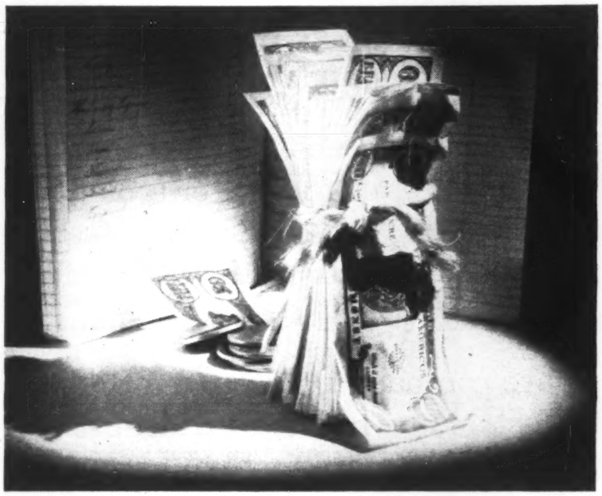
Vending machines keep getting smarter all the time. This year's first new models were capable of making change from $1 and $5 bills. Now the latest models are dealing in foreign currencies.

Two foreign currency converters made by Universal Match Corp. for the Perera Co., a foreign currency dealer, have lately been installed in New York's International Airport. More are due to

NEWEST of the vending machines deals in five foreign currencies.

How much of your working capital is really doing its work?

Unnecessary distribution costs keep your capital out of more profitable ventures. Faster, *surer* transportation can cut expenses right across the board. Here are just four ways TWA Air Freight can free your working capital to do its work.



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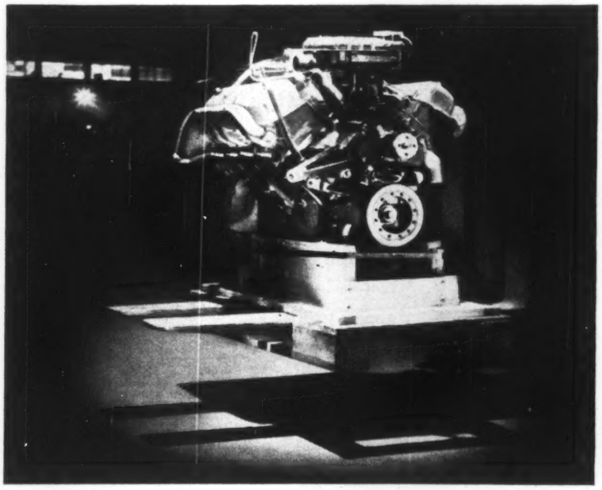

PACKAGING COSTS A BUNDLE! Goods shipped by TWA Air Freight need only *light* wrapping or none ... arrive ready to sell. You save many extra shipping costs.

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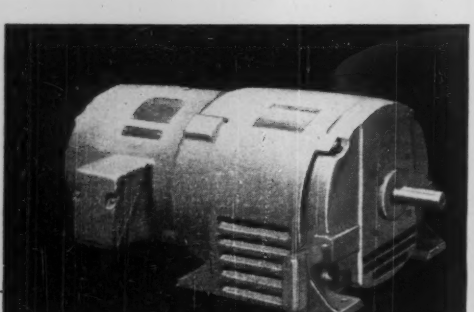

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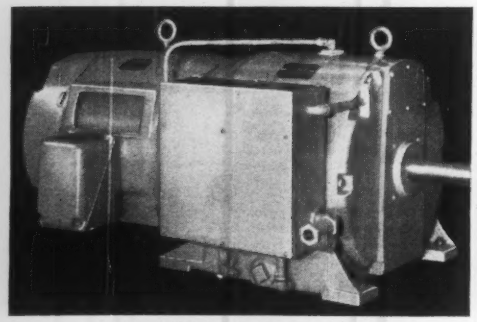
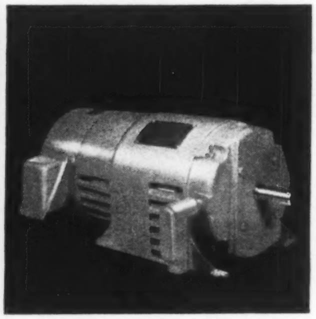


WATER COOLED, 25 to 150 HP



AIR COOLED, 1 to 5 HP

DIRECT CURRENT MOTOR AND GENERATOR DEPARTMENT

GENERAL ELECTRIC

ERIE, PENNSYLVANIA

follow, and still more will be installed in other U.S. airports.

The first two models take $5 bills and spit out in return $5 worth of Belgian, English, French, German and Italian currency. Later models will handle up to $20 bills for conversion.

Perera figures that only with the machines can it hope to reach economically all its potential airport customers. At the New York airport almost every airline has its own terminal, some of them located a half-mile or more from others, and staffing currency counters at each terminal just would not be financially feasible. Increasingly, the major airports are being built on the pattern of New York's.

There's Cash in Cash

Selling paper money at a markup surely sounds like the tactic least likely to succeed. But for 70 years American Express Co. has been doing just this—and lately has found it so successful that it is putting a whole new marketing effort behind promotion of its travelers checks. (For tradition and for an international cachet, Amexco spells it "cheque.")

In the past decade the volume of travelers check sales has doubled, partly from inflation—people need to carry more money—but chiefly just through greater use of the checks. Amexco's volume is now near $2 billion a year, and other U.S. travelers check sellers—most notably Bank of America and First National City Bank of New York—add another half-billion to the total. Says Amexco's President Howard L. Clark: "Forecasts indicate that sales will double again during the 1960s."

Amexco, solidly established with international travelers and with film stars (who appear in its advertisements saying, "I never carry more cash than I can afford to lose"), is turning its travelers check marketing tactics on more mundane subjects. Among them:

- Truck drivers: "They don't like to carry big wads of cash with them, and they have difficulty cashing their own checks along a highway," says an Amexco promotion man.
- Harassed home movers: "More than 20% of the U.S. population moves house each year. Interstate Commerce Commission rules say movers have to be paid in cash or by certified check. But now they can be paid with a travelers check, too."
- College students: "Parents don't want their money to go straight down

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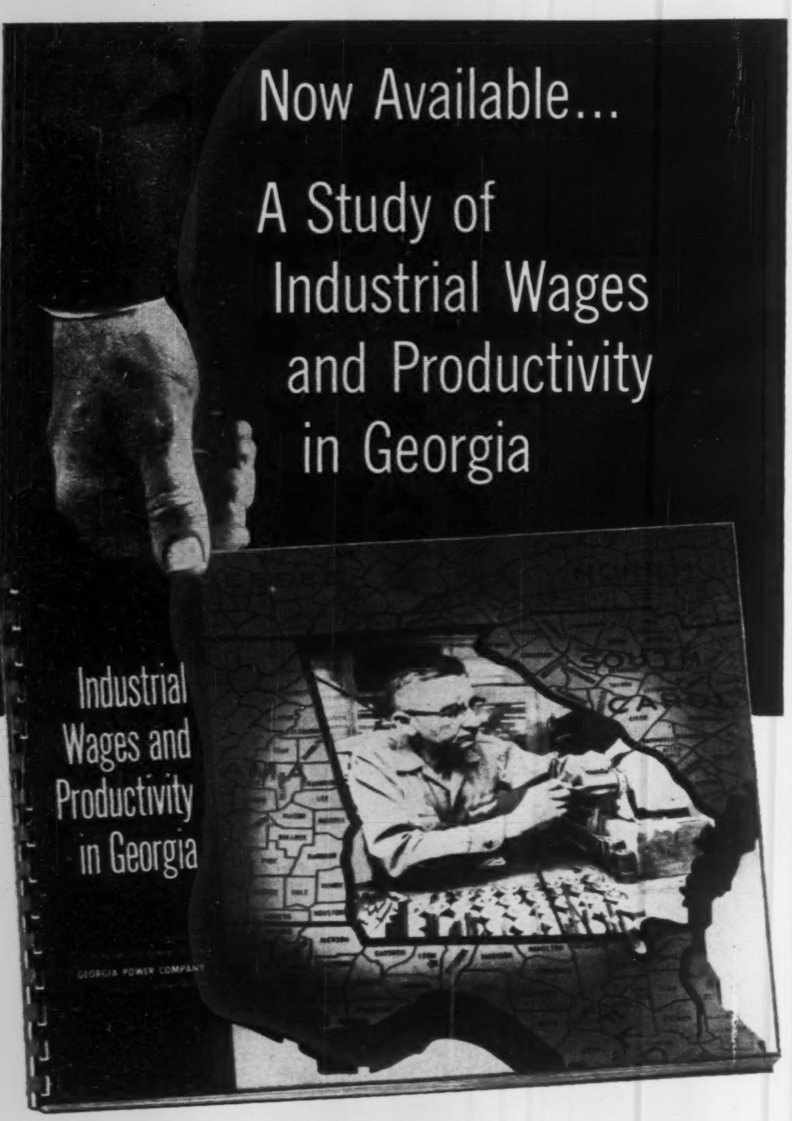
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the drain if their kids lose it or have it stolen. So they're arranging for their sons and daughters to collect money from home in travelers check form."

• Cookie jar fanciers: "Sure, everybody seems to have credit cards these days. But some people like to keep money around the house for an emergency, and they figure it's safer when it's stashed away in travelers checks than in cash."

Amexco seeks to promote these unglamorous markets chiefly to level out the sharp seasonal sales curve of travelers checks, now tied so tightly to vacation time. Also, of course, it is by no means indifferent to the profit. The checks cost 1 cent on each $1. The bank that issues them (and 90% are issued by banks) gets two thirds of this, Amexco one third. The return from this charge barely covers costs. The real profit comes to Amexco through its investment of the floating $2 billion it has temporarily on its hands each year.

Hitting a New Market

The U.S. may still be the world's great melting pot, but there are some things that are lost only generations after a new national group comes to this country. Most telling of these are eating habits. And in today's mass markets, dominated by giant corporations, these pockets of resistance to the mass give a few smart marketing men a chance to reap sizable specialty sales.

Probably the biggest of these special markets is the country's Spanish-speaking population. Their numbers are so large—around 2 million—that they form almost a mass market on their own, spending as much as $500 million a year on food, and a large part of this on special types of food. Several big companies in the food industry have sought to drum up trade among them simply by advertising their nationally distributed products in Spanish-language newspapers and over radio stations, but with little success. Several small food companies, though, have followed a different tack with gratifying results. Some, in fact, have boosted their sales by as much as $1 million a year.

One of these is New York's Paxton & Co., whose sales have climbed since 1954 from $250,000 to better than $4 million and are running close to $5 million this year. Its first great

LOCKHEED
Progress Report

Why the U. S. Navy plans to invest a billion dollars on oceanographic research during the next 10 years.

OCEANIC OUTLOOK

In the deadly game of hide-and-seek with "enemy" subs, the Navy's Anti-Submarine Warfare forces must cope with technological changes that may give the hunted new advantages over the hunter. One of these changes is nuclear power. It enables a submarine to run much deeper and faster than a conventional sub -- and to stay submerged for months at a time.

The Russians are building nuclear subs, according to informed reports -- a whole fleet of them. To visualize the threat to America's economic and military life lines these Red subs present, remember the great number of freighters and tankers that were sunk during World War II by just a handful of Nazi subs.

U. S. Navy nuclear subs went undetected in recent war games, pointing up the urgency of improving detection methods. Because saltwater is opaque to most electromagnetic radiation, sonar--listening to underwater sounds--has been the most effective method. But although sonar is much better now than it was during World War II, it is reliable for only a short distance. And that is not good enough for nuclear sub speeds and depths.

The key is oceanography. To deal with this new danger, the Navy has embarked on Tenoc (for "Ten Years of Oceanography"), a $1-billion program of basic research. It will include intensive studies in physical oceanography and in marine geology, biology and chemistry. It will map the ocean floor, discover great currents that flow through the depths, seek new methods of underwater communication. From this new knowledge will come better ways of tracking down enemy subs -- and of protecting our own subs from the enemy.

Lockheed's total approach to the problem fits neatly into the Navy's program because it includes the surface of the sea and the aerospace above it, as well as the depths below. With headquarters in Burbank, California, Lockheed's Anti-Submarine Warfare and Ocean Systems Organization is a corporation-wide group that can call upon the special skills and experience of more than 10,000 scientists, engineers, and technologists in every division and subsidiary.

Lockheed's ASW projects include hunter-killer planes and helicopters, destroyers and hydrofoils, radar and photographic systems, and sonobuoys. Ocean systems projects include porpoise studies, unmanned submersibles, oceanographic instrumentation, electronic mine detection, internal wave studies, and weather buoys. The group is also conducting company-sponsored research. In fact, Lockheed's Sea Quest is one of the few industry-owned ships devoted primarily to oceanographic research.

Though Navy research is for defense, who can now foresee all of the benefits it may ultimately bring to a world at peace? Beyond the urgency of military needs lie new sources of wealth to fire the imagination: stretches of ocean floor strewn thickly with nodules of manganese dioxide...giant kelp and other sea plants to be harvested for food and raw materials...huge creatures of the deep in countless numbers to feed a protein-hungry world.

* * * * * *

If you would like to join those in the financial community who receive reports on Lockheed's activities, please write Mr. Ernest A. Foster, Director of Stockholder Relations, Lockheed Aircraft Corporation, 2555 N. Hollywood Way, Burbank, California.

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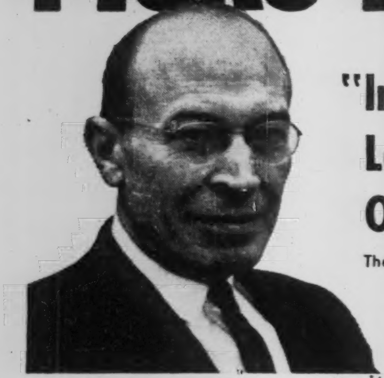

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Theodore O. Hofman, President, Borden Foods Company Division, The BORDEN COMPANY

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gains, starting back in 1955, were built on rice. "But," says Paxton's President Frank R. Paxton, "it was a special kind of rice. Americans generally eat long-grain rice. The Spanish-speaking peoples eat short-grain, which was sold to hardly any consumers at all in this country a few years ago."

Paxton began packaging short-grain rice, grown mostly in California, and selling it to food stores in Spanish-speaking areas of New York City, Philadelphia and other centers in the Northeast under the name of "Sello Rojo" (Red Seal) in 1955. Now he sells more than 30 million pounds of it, mostly in the New York area. Since then, he has added other Spanish foods to his line: corn meal, chocolate (made from Puerto Rican cocoa beans), preserved tropical fruits, tropical beans.

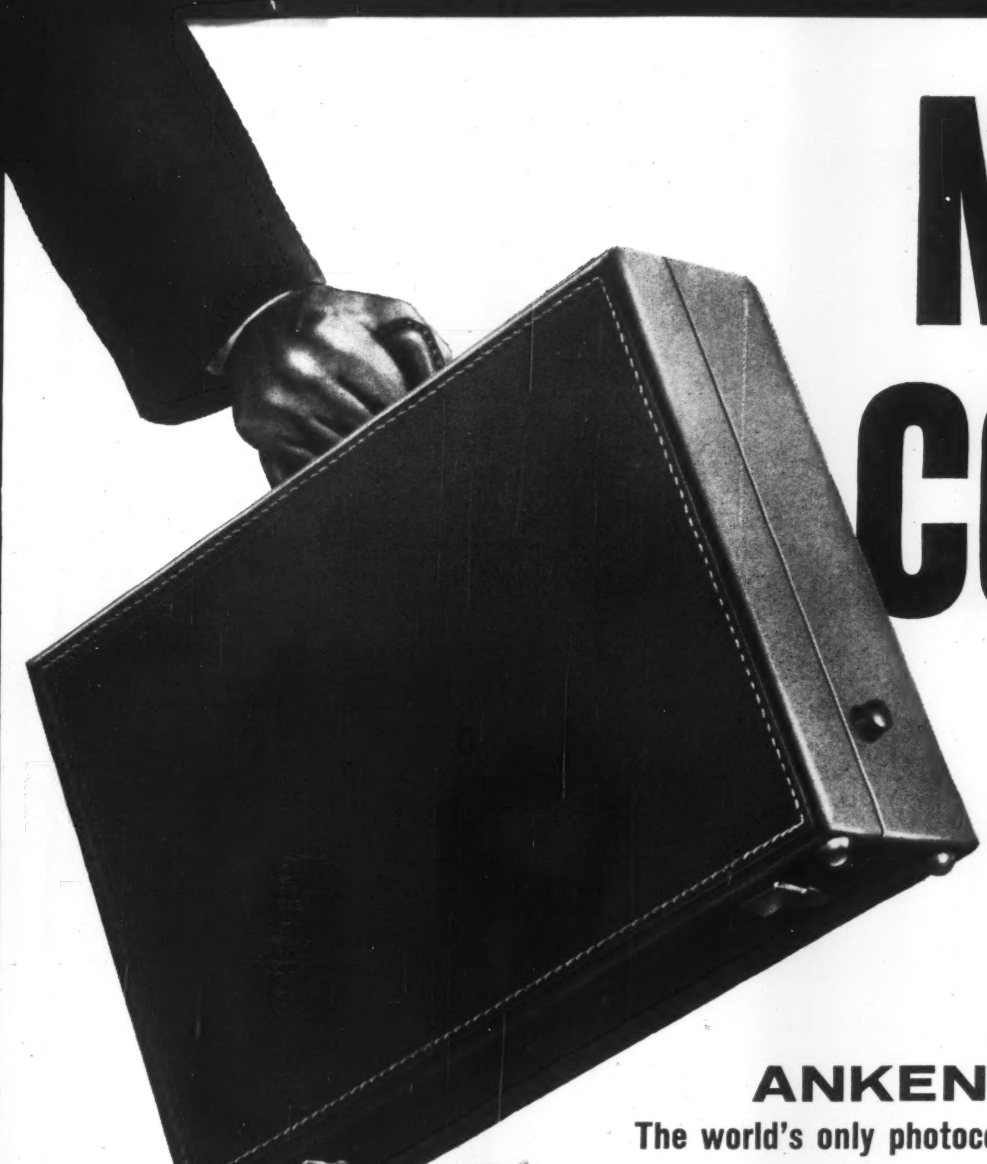
The Right Touch

How did he hit the jackpot where others failed? It's all a matter of market research. Says Paxton: "These people become Americanized very quickly in most other ways except in their eating habits. So, first, you simply have to supply them with the kinds of food they want. No amount of promotion will put across to them the big mass-market American foods because they simply have different tastes.

"But once you have the right foods, you must also watch your advertising. The average U.S. housewife is usually eager to buy products if she considers them bargains. But these people have that Spanish temperament; If you tell them your product is a bargain they'll think you're suggesting that they're too poor to afford anything better.

"Tell your Spanish-speaking customer that your rice is just like his mother cooked for him back in Puerto Rico and you'll offend him again. He wants the foods that are familiar to him, but he wants to be identified as an American. So you have to tell him something like 'You *know* rice; you know just how it ought to be, even though native-born Americans don't understand much about rice.' "

Those climbing sales figures show that Paxton's marketing methods work. But for how long? Paxton believes it will take at least a generation —and, if he is lucky, maybe even two generations—before traditional eating habits change. —J. M.



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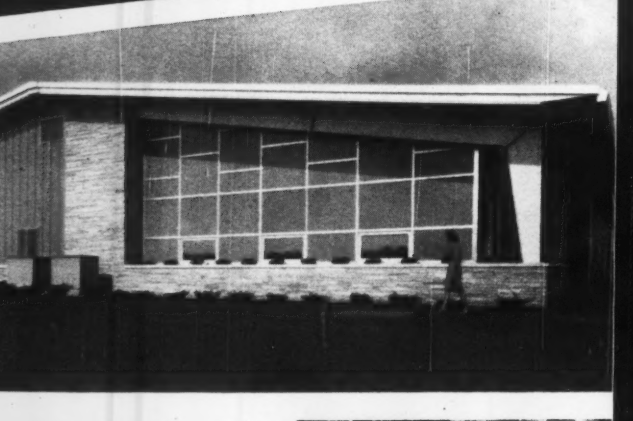

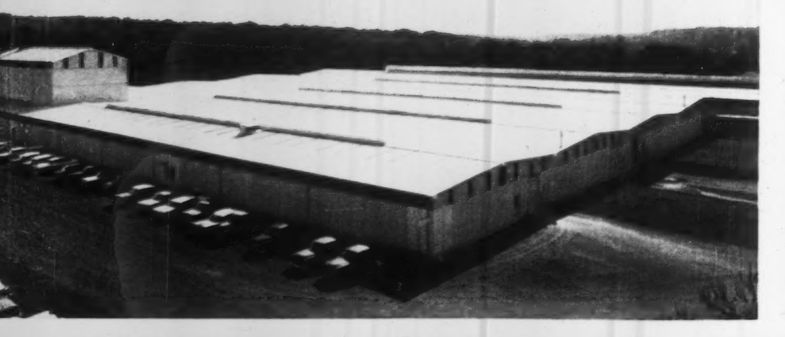

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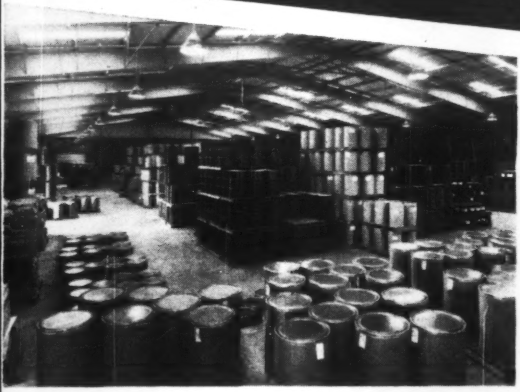

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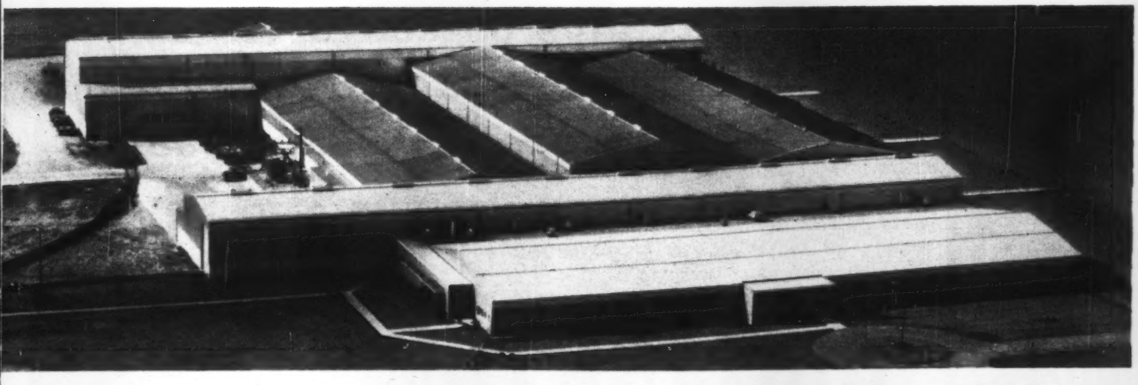

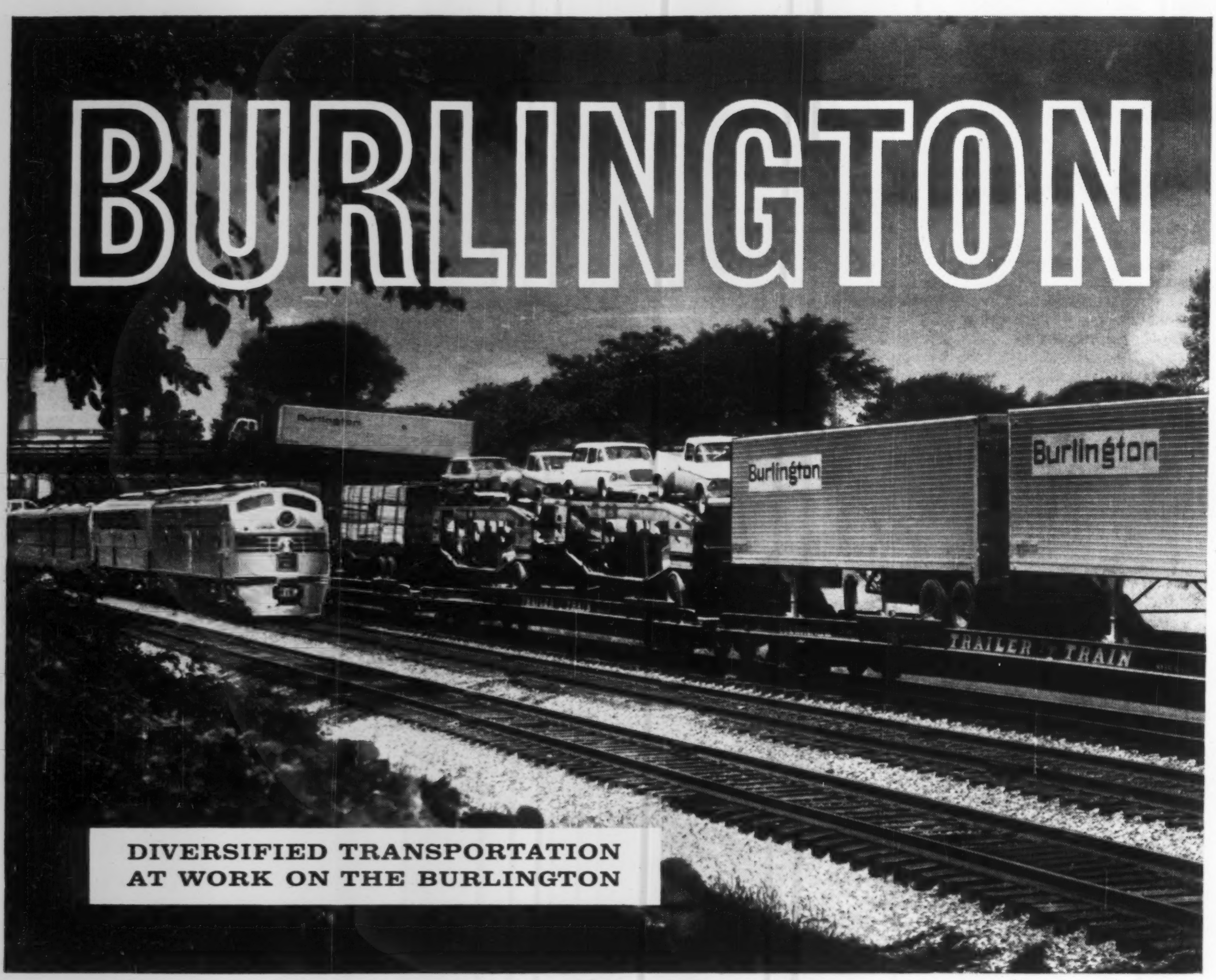
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- *The arbitrator under scrutiny*
- *Private telephone line to labor*

THE arbitrator, the man who makes a living by judging labor disputes, is now coming before the bar himself. In fact, the industrial referees who decide more than 30,000 boss-worker conflicts a year, have never been under such close scrutiny in all the 25-year history of labor arbitration. Their decisions are being studied more carefully by legal eagles of both sides —union and management—for clues of bias or favoritism.

Adding to the pressure on the arbitrators, their backgrounds are being investigated by a new kind of industrial "private eye." That is the arbitration consultant, who advises companies whether this or that arbitrator is union or management oriented on certain issues. The unions, for their part, have their own "information exchanges," and an arbitrator whose business takes a startling drop from one year to the next knows that he has made the labor blacklist.

Nothing in those gumshoe proceedings, though, is intended to reflect even remotely on the integrity of the arbitrator. Everyone agrees that the 600 men who make a full-time living as lay judges and the 1,500 other men who arbitrate to supplement their incomes are honorable men. In all their history, there has been only one case of supposed dishonest dealing by an arbitrator who allegedly let a proffered gift sway his award.

The union argument

But the unions, while not denying the integrity of the arbitrators, want judges with a social outlook that parallels labor's goals. Management, on the other hand, seeks men who recognize that a businessman's authority to direct his workforce should not be eroded by a "do-gooder" decision.

The stakes on both sides, needless to say, are high. A local union leader who loses an important arbitration may find it difficult to scare up enough votes to be re-elected to office. The executive who is hit by an adverse award may find himself losing part of his grip on cost control or having to ante up some walloping retroactive pay in discharge cases.

As if these problems were not enough, the youthful field of arbitration itself has been developing the paunch, jowls and sagging muscles of old age. The most frequent complaint of both labor and management is that arbitration hearings have become formal, rigid and legalistic.

"The only thing that the arbitrator now lacks is a black robe and a gavel," says Jacob Klamon of the AFL-CIO.

Getting the facts

The original purpose of labor arbitration, of course, was to provide both parties to an industrial dispute with a quick, informal method for resolving differences. Rules of evidence, briefs, interminable cross examinations—the bane of judicial proceedings—are not required in arbitration. The arbitrator's role is to get at the facts by turning an attentive ear to the worker and employer who each tell their story in chatty fashion without any prodding or badgering by lawyers.

This easy, cracker-barrel approach now is disappearing. In over 80% of the current arbitration cases, both sides are represented by counsel. Briefs are filed in almost half the cases. And as a result, the arbitration panels from which referees are picked have become lawyer-laden. More than half of the active arbitrators are now attorneys, with college professors running second.

Unions blame management for this turn of events. "The lawyers," says one union official, "have taken over most of the top labor relations jobs in industry. They make a federal case out of something that could be settled in a half hour if they all didn't try to make like Perry Masons."

Management reaction

Management is not quite as jocular about the trend towards legalism in labor arbitration. J. H. McMillan, of the labor relations staff of the Stauffer Chemical Co., gives a typical reaction. "Arbitration," he observes, "involves the interpretation of important company policy matters. By the time a dispute gets to that final level, management and the union have met and argued through three or four stages in the grievance procedure. At arbitration we want to firm up once and for all our right to do what we did in the first place. So we want an arbitrator, preferably a lawyer, who runs an orderly hearing and doesn't let a lot of extraneous talk interfere with his judgment."

The court-like atmosphere of arbitration has resulted in higher costs. The rigid rules of procedure now take more time, and a case which once consumed an hour may now stretch to a full day, or longer.

In the "informal days," too, the arbitrator might have handed down his decision with a simple "you win, you lose" finality. Arbitrator awards, generally, are in writing and many of them are so couched in the stilted verbiage of the judiciary that it is not rare for the parties to go back to the arbitrator to ask him who won the decision, and why.

Rates of arbitrators, it should be noted, have moved up with inflationary precision. The free arbitration of

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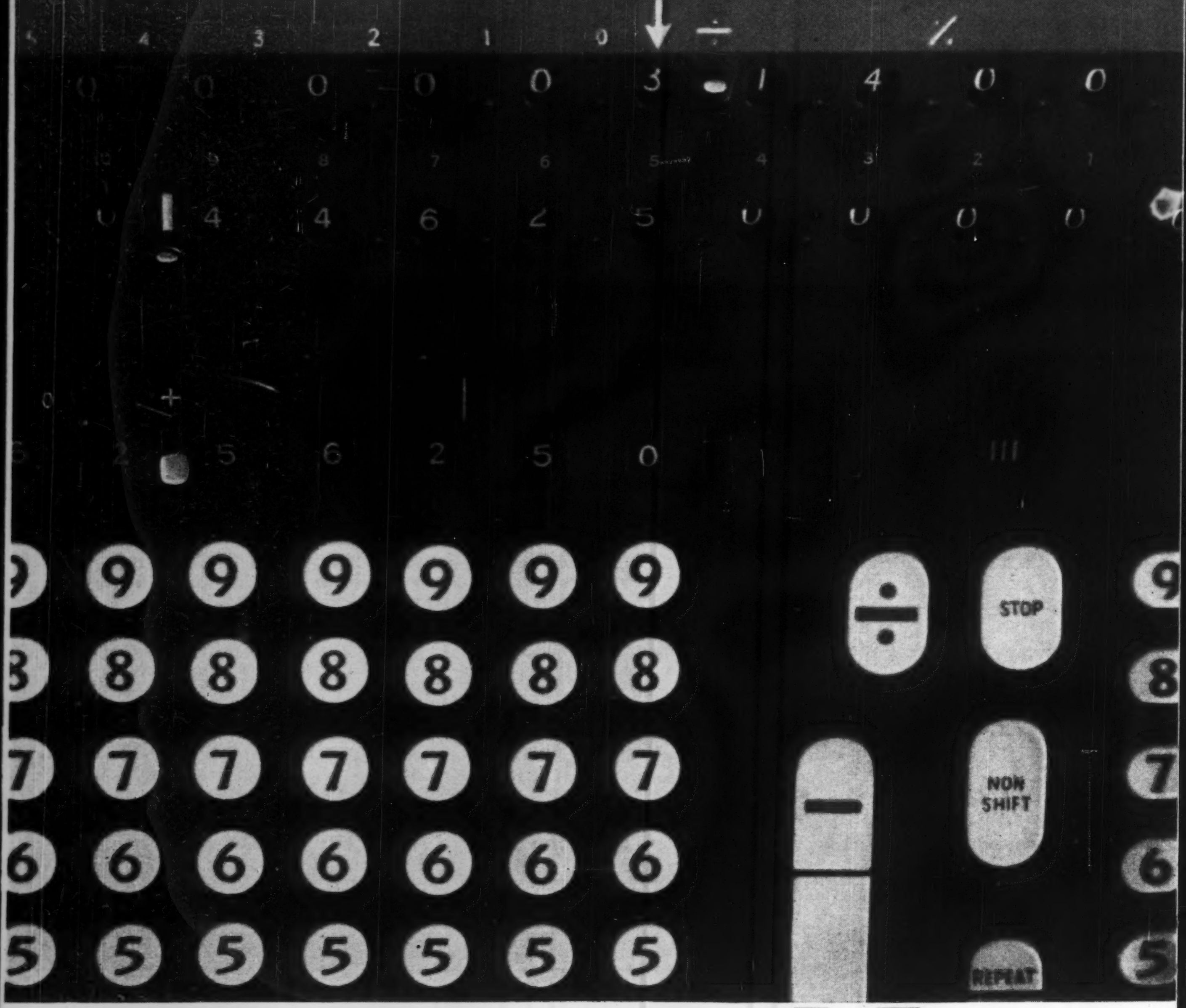

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the past is virtually extinct. Today an arbitrator on the rise might accept $100 a day. But the average is $150, and the $250 and $500 peacemaker is not uncommon. The arbitrator receives his per-diem not only for the period he spends in hearings but for "think time," the post-hearing day or days set aside for contemplation and writing of the award.

The unions do not insist, however, that the high pay for arbitrators is management's own deviltry, designed to discourage labor from appealing its grievances. "The man you get for nothing," comments one union leader, "is worth exactly that—nothing."

State mediation agencies, it is true, all have on their lists arbitrators who are willing to serve "for free" as a public service or for an honorarium. But these men seldom get called. In fact, the New Jersey Mediation Service raised the minimum for arbitrators last year because neither side wanted bargain rates.

"Bleeding hearts"

With labor arbitration having become so costly, though, both parties look for their money's worth. The selection of arbitrators is not made lightly and a considerable amount of winnowing takes place. Each side has its own image of the ideal arbitrator, and the issues in a case often determine the type of arbitrator who will be selected. In cases where an employee has been discharged, for example, management's anathema is the "bleeding heart" arbitrator.

How can you spot one? "The bleeding heart arbitrator," observes one executive, "is a man who does not decide a discharge case on the basis of facts but on the basis of emotion. He is the arbitrator who will reinstate a worker who was fired for shoving his supervisor and using foul language, because the worker 'has a family,' was 'under strain' and was later sorry for what he did. He's the fellow who thinks that it's a sin to fire a worker and that industry is some social service agency to coddle and protect even those workers who abuse or insult management.

"Workers are mature people," continues the executive, "who should be held responsible for their actions, and we want arbitrators who don't crack under the impact of sob stories at an arbitration hearing. There are arbitrators who have never sustained a discharge or have reinstated with only a mild rebuke employees guilty of serious in-plant offenses."

Unions, on the other hand, are not at all interested in arbitrators who put the "needs of a business" above "human considerations." This reasoning is explained by Nick Zonarich, organizer for the Industrial Union Department of the AFL-CIO and former president of a large steel local.

"The arbitrator who is off our list," says Zonarich, "is the fellow who lets a company do anything it wants so long as the company argues that its decision was based on economic reasons. Arbitrators who sustain management's decisions for farming out work to outsiders because it's cheaper, and thereby eliminate jobs of long-service people, are the ones who we keep an eye out for future selections. The striving for efficiency in industry must be tempered with considerations for the man."

The so-so man

From management's point of view, the arbitrator who is equally onerous is the judge who makes it a point to maintain a fifty-fifty average in his awards. Not wanting to alienate either side, he splits his awards pretty much down the middle. If he is assigned to handle six grievances, the chances are that he will rationalize his cases so they end up three for one and three for the other. Arbitrators of course deny that such a pattern exists, maintaining that they call them as they see them. But management men are not so sure.

The next arbitrator on the management "nix" list is the man who sees himself in the role of mediator. Arbitration according to law is a legal procedure in which the referee is asked to make a terminal disposition of the issues in dispute. His award has all the authority and finality of a court decision and is enforceable by law if one or the other party refuses to accept his decision.

The "mediator type," in contrast, tries to get the parties together. He acts as a catalyst, a counselor trying to effect a compromise on the theory that what the parties agree to between themselves is better than an arrangement forced by arbitral dictate.

Both management and labor have little time for him. "We want a 'yes or no' decision maker, not a marriage counselor," comments a labor relations man for a textile firm.

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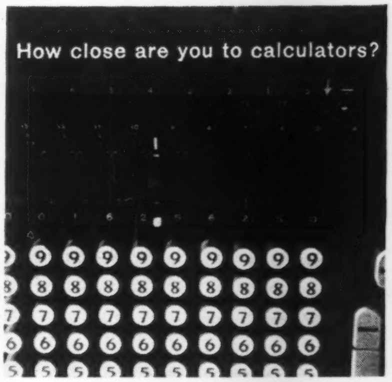

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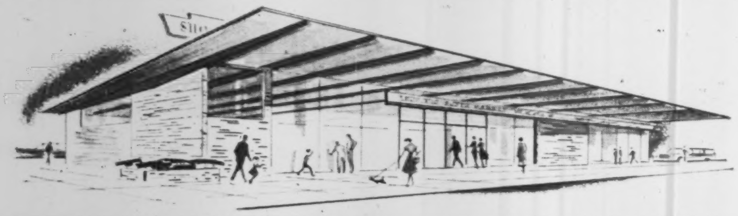

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Channel 7 is not confined to company news alone. Baseball scores, the weather, local activities are carried, and at 3:30 p.m., when the stock exchanges close, a worker can find out what happened to his Inland stock. Employee families can call Channel 7, too. It is used often by wives in case of an accident at the plant. Channel 7 immediately goes on the wire giving the details.

This private information circuit has proved particularly helpful during collective bargaining sessions. Each meeting is summarized on Channel 7 and details of settlements are announced long before the formal contract is put on paper. Many an internal labor dispute has been nipped by Channel 7. When trouble developed at the Harbor Works, for example, plant management put its position clearly on Channel 7 and a wildcat strike came to an end promptly.

"A wildcat strike at Inland's Indiana Harbor Works," read the company's message, "has idled 19,000 employees. The strike is a direct violation of the collective bargaining agreement with the United Steel Workers of America. The problem which precipitated the strike, like all other problems at the plant, can be handled through the normal procedures set forth in the contract. Inland's position is that this unauthorized work stoppage should end immediately so that these employees can return to work and so that the proper channels of grievance procedures can be utilized."

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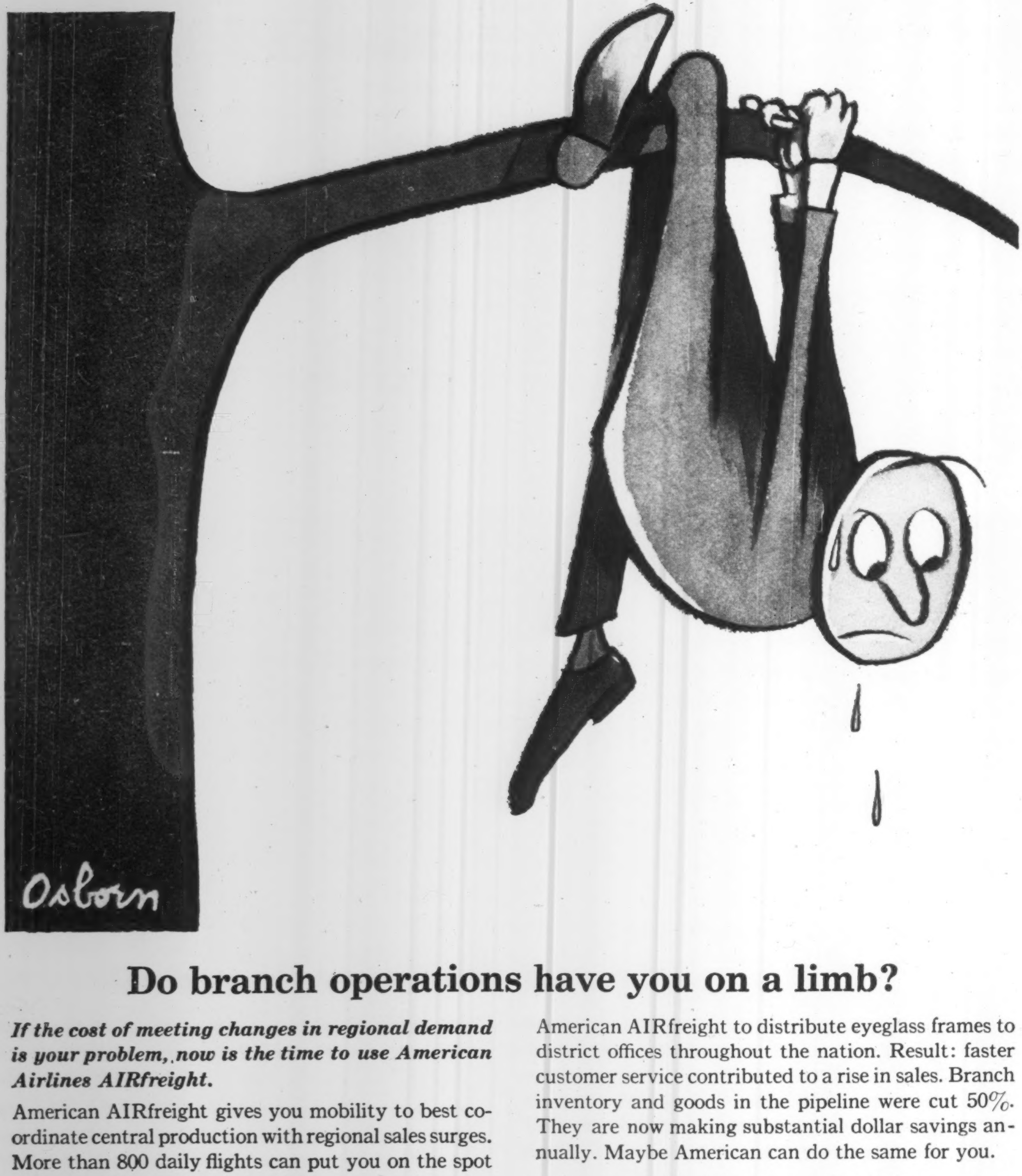

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International Markets

ALEXANDER O. STANLEY

★ *Reorganization in Commerce Department*

★ *Promising new market for U.S. industry*

★ *Electric power controversy in Latin America*

FOR all the trouble in Europe, South America and elsewhere, one of the biggest developments in international trade has taken place right here in the U.S. In Washington, U.S. Secretary of Commerce Luther H. Hodges has quietly been rearranging his department, closing down the old Bureau of Foreign Commerce and opening up two streamlined bureaus to replace it.

This is a broad and far-reaching change for the executive who does business abroad. He may, it is true, have more than a little trouble getting his bearings under the new system. Nevertheless, Hodges' reorganization should greatly increase the amount of help he can get from the Government—provided he fully understands the new setup.

First of all, he should know that one of the new bureaus will handle operational matters, and the other will shape U.S. foreign trade policy. At the same time both of the new offices have absorbed—and expanded—units from the old Bureau of Foreign Commerce, while new units will aid businessmen in their overseas operations.

One of the new units, the Bureau of International Business Operations, consists of a new Office of Commercial Services, plus the familiar offices of Trade Promotion, International Investments, and International Trade Fairs. One of its main jobs is to issue information on current trade and investment opportunities. And, says Hodges, there will be a lot more, faster information than in the past, as well as quicker reports on the latest international marketing techniques.

In addition, International Business Operations will try to get more U.S. businessmen to participate in official foreign aid programs, while doing its best to attract some foreign aid to these shores as well. One of its jobs, for example, is to encourage foreign investments in the U.S., especially in the depressed areas that have been battered hardest by the shifting winds of trade.

Most of the new bureau's assignments, however, are aimed at getting more business for American companies. The new Office of Commercial Services, as one example, plans to direct foreign governments' tenders for bids directly to U.S. firms that can handle the orders. With the London Trade Center an obvious success, International Business Operations also plans to open more of these overseas showcases for U.S. goods and to make it easier for American companies to enter the international trade fairs held around the world.

The BFC's other successor—the Bureau of International Programs—includes two holdovers, the offices of Regional Economics and Export Controls. These offices keep tabs on the workings of our trade policies, as well as on international commodity problems, financial policies and foreign legislation that could affect U.S. companies overseas.

International Programs, however, also has a new section, the Office of International Economic Programs. This bureau collates and analyzes the data Hodges needs to lay down policy guidelines for Congress and the White House. As Hodges sees it, this program will result in legislation to strengthen our competitive posture and help U.S. business adjust to the realities of world trade.

In a collateral move, the Secretary expanded Commerce's Business and Defense Services Administration with two new sections. One, the Office of Industrial Growth and Research, is studying the effects of technological change on U.S. industry, and may possibly extend its inquiries overseas. The other, the Office of Economic Programs, is already busy seeing how U.S. business and industry shape up against their foreign counterparts.

There has been no change, incidentally, in one of Commerce's most valued services. BDSA's Office of Marketing Services will continue publishing its monthly *Marketing Information Guide,* covering both the domestic and foreign scenes.

Another New Market

U.S. businessmen will have a new—and extremely promising — Caribbean market to explore in earnest next May. That is when the West Indies Federation, a customs union since 1958, becomes politically independent. Even though it will remain in the British Commonwealth, which has dominated this lush island market, the West Indies presumably will not retain its exclusive ties to the motherland. American investors and marketers, in fact, are already studying the Federation's possibilities.

At first glance, these seem almost as minuscule as the West Indies' area (8,000 square miles) and the size of its population (just over 3 million, with 80% of it residing on

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the wide-apart islands of Jamaica and Trinidad). Such U.S. giants as Aluminum Co. of America, however, have already scheduled major investments in the Federation's industry. Lured by the liberal tax incentives and scores of other inducements, Alcoa will put $15 million into Jamaican harbor and transport facilities. In addition, Esso's new refinery will begin operations this year, and Colgate-Palmolive will put up a toothpaste factory.

Many features make the Federation unusually attractive for American businessmen. Chief among them is its stability, one of the rarest qualities to be found in the Caribbean, as anywhere in Latin America. Added to that, with a 7% to 10% yearly increase in gross domestic product over the past decade (1960: over $1 billion), it is clearly one of the world's fastest-developing areas.

Small as they are, the West Indies already export more bauxite than any other country on the face of the globe, sell their petroleum, sugar, rum and bananas abroad in significant amounts.

As a market, too, the Federation looks better every year. Despite its size, its 1960 imports of some $600 million worth of goods put it right behind such big Latin American buyers as Argentina, Brazil, Mexico and Venezuela. And since the Indies' English-speaking population is acquiring both more buying power and a stronger taste for American-made products, U.S. companies should better their 26% sales increase of last year, when sales to the West Indies totaled $92 million.

Latin Short Circuit?

The highly touted $20-billion *Alianza para el Progreso* has been generating many bright promises about Latin America's future. Still, U.S. businessmen who are thinking of long-range industrial commitments south of the border are beginning to keep a wary eye on one development that could short-circuit both their plans and the Alliance for Progress.

That is the electric power controversy that is flaring up in country after country throughout Latin America. As in the U.S., it centers around the question of public *vs.* private ownership of a nation's utilities. Unlike the U.S., however, some (though by no means all) of the countries affected have let it reach a dangerous stalemate. Rather than resolve the quarrel, these nations leave huge areas blanketed in darkness and suffer the resulting pinch in industrial output.

One guide to what has happened in the past, and could only too easily occur in the future, lies in the statistics and projections of the United Nation's Economic Commission for Latin America. It took 21 years of painful and enormous effort to raise the Latin American kilowatt-hour output from 12.5 billion to 61 billion by year-end 1959. Even then, because of a high 17% loss in power transmission and distribution, 1959 consumption ran at an inadequate 51 billion kilowatt-hours. And though many of these companies were American-owned, behind this high loss factor were recurring troubles: overloading of networks, defective construction, lack of technical help and limited financial resources.

Too, by 1970 the projected needs for Latin America are set at 200 billion kilowatt-hours—four times more power than was used in 1959. To attain this output, the generating capacity will have to be almost tripled to 44 million kilowatts, at a cost of $13 billion.

Yet even with the money in hand, Latin America's troubles will not be ended. For roughly half of that $13 billion will have to be spent abroad for categories of equipment that Latin American industry will not be able to produce. And these heavy outlays will put a dent in the already depleted foreign-exchange reserves of most Latin American countries. Loans and more loans are indicated, in other words, unless some compromise on ownership can be worked out, possibly by permitting private capital into this field on a fixed rate of return.

Progress in Payments

After four years of deficits, the U.S. balance of payments finally shifted into the credit column in the second 1961 quarter. This reversal accounts in part for the National Foreign Trade Council's recent sharp cutback in its 1961 projections of the nation's payments deficit. Earlier this year, the council estimated the 1961 annual deficit at $1.9 billion. Now it sets it at a relatively modest $500 million, the lowest since 1957.

Figures for the quarter ending June 30, in fact, show a balance-of-pay-

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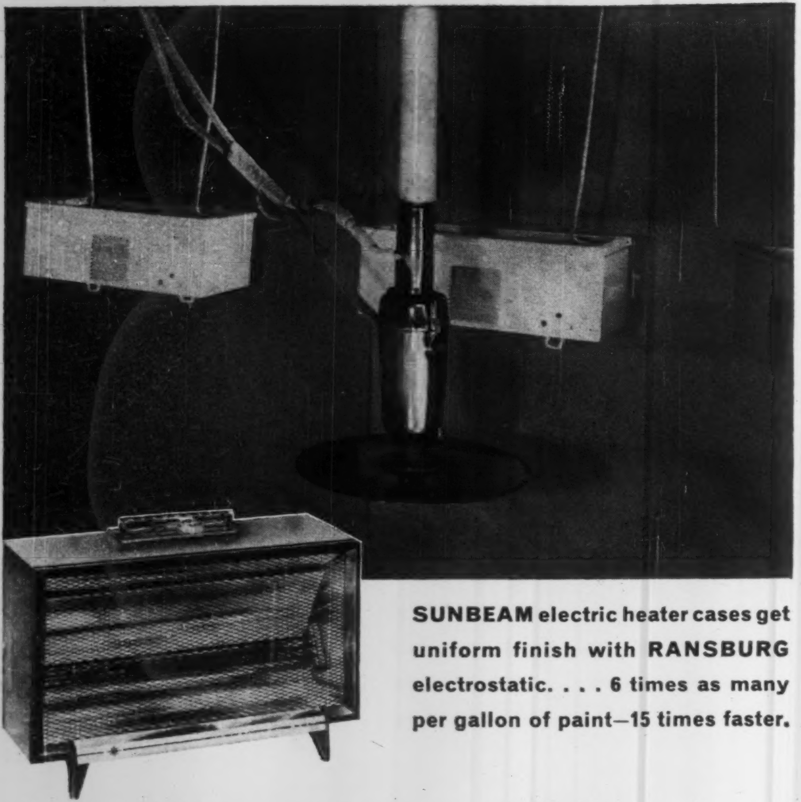

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ments surplus of $60 million, in large part because West Germany made a $590 million prepayment on its loans. The third quarter, of course, will get no such boost, but the period should benefit from the continued climb in exports. These were up 3% at midyear, running at an annual rate of $19.8 billion. With imports still marking time near the $14-billion level and U.S. tourist expenditures down from 1960's peak, the only large question marks now are 1) the net balance on short-term "hot money" investments and 2) the net position on long-term equity movements and U.S. firms' dividend payouts on their international operations.

The Two-Way Street

For all the worry about American money going overseas, it has become more than clear that foreign investments no longer move along a one-way street. Buying into U.S. companies, in fact, is becoming a favorite pastime of Western European businessmen. It even seems likely now that the movement of dollars out of the U.S. may have been just the start of a new, and continuing, international capital flow.

Some estimates already put the amount of foreign money in U.S. industry at $3.5 billion, with more to come. Among the more newsworthy investments are such transactions as:

- The 4% stock interest that Montecatini Co., Italy largest chemical and mining company, just acquired in the Minerals and Chemicals Corp.
- The joint venture New York Realtor Irwin S. Wolfson is planning with City Centre Properties Ltd. of London for $200-million, "air rights" complex of office buildings abutting Chicago's Union Station.

On the other side of the picture is the recent proposal, strongly endorsed by the U.S. Government, to have American labor unions underwrite low-cost housing in Latin America. What with the continuing attractions of overseas subsidiaries for U.S. business—and those attractions will not be completely dimmed whatever the new tax laws on foreign earnings — this international movement of money means that the old boundary lines have blurred completely, and international marketing competition will become harder fought than ever before—both in the U.S. and abroad. END

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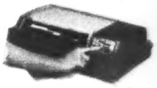
NOW... with push button ease  *and 1-step speed*

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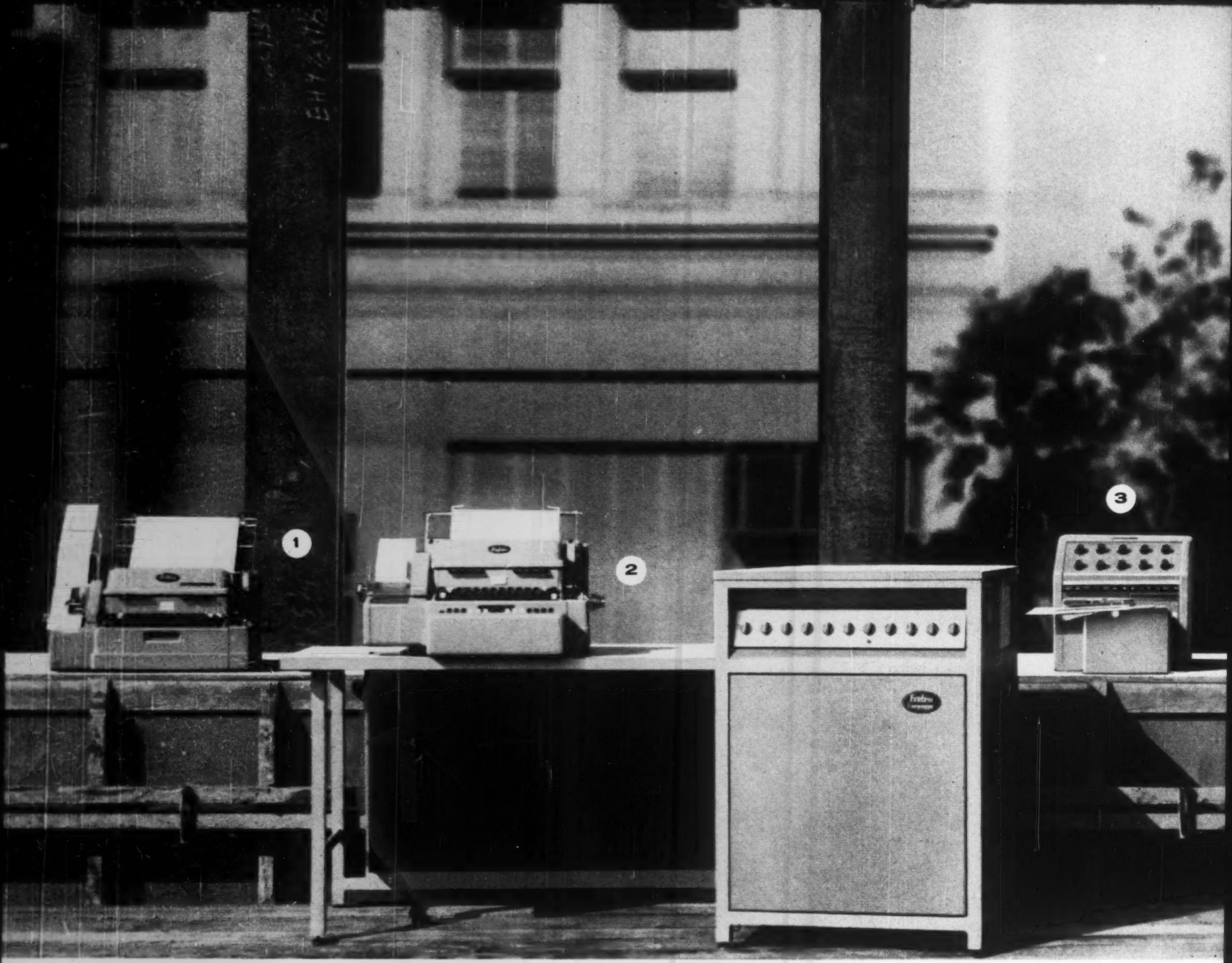


How Friden lays the foundation

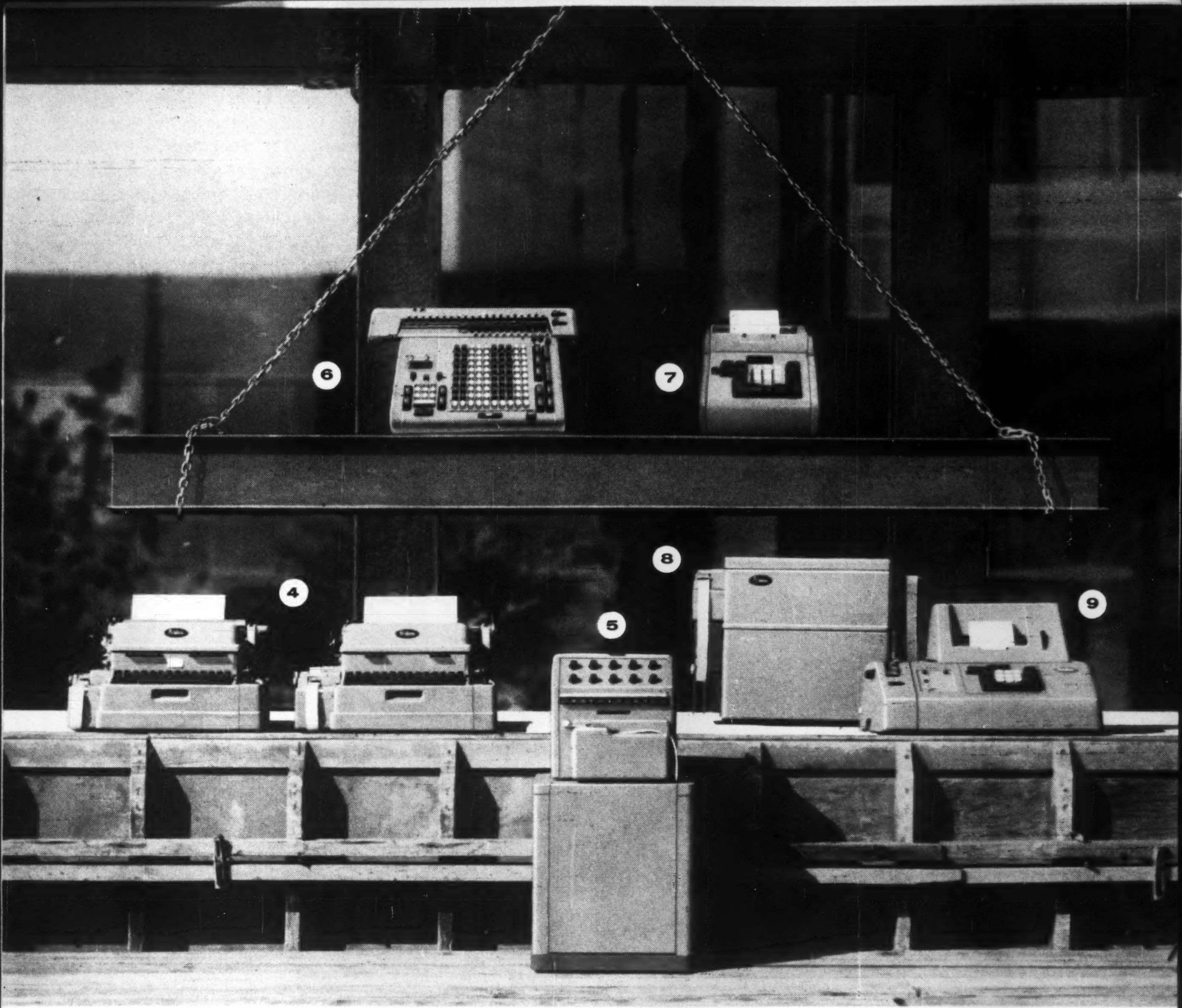
Paperwork is the curse of modern business; it eats up profits, produces none. And although office-worker productivity has risen tremendously over the years, a greater-than-ever percentage of our labor force is today engaged in office work. The solution: increased office automation.

Does this mean computers? Perhaps. But even the installation of computers often merely highlights the basic problem—the preparation of source data. In most businesses, the creation of such basic paperwork as sales orders, purchase orders, reports, work orders, invoices and the like, remains the biggest—and most expensive—bottleneck of all. This is "pick and shovel paperwork." And, unfortunately, most businesses still use pick and shovel methods to handle it.

FRIDEN'S SOLUTION: Years ago, Friden decided to devote its resources to solving this source data problem. The solutions arrived at are of vital interest to all companies, large and small. What Friden now offers is a complete line of machines capable of *automating* the creation of basic business documents. The machines themselves are rugged, thoroughly proven, sensibly priced. Although they result in a tremendous increase in worker productivity, they seldom entail any major upheaval either in procedures or personnel; your present workers can operate the equipment without special training. The machines can be used by themselves, with each other, or integrated with electronic data processing systems. This means that Friden equipment is as useful—and practical—for the small business as it is for the giant corporation.

Interested? Your local Friden Systems Representative is the man to see. He'll be happy to explain the equipment—show you how and what it does. Then, drawing on his own experience and the pooled knowledge of Friden's world-wide organization, he can show you how Friden machines can be applied in your own situation to cut costs. Call him. Your balance sheet could reflect results sooner than you think.

THIS IS PRACTIMATION: automation so hand-in-hand with practicality there can be no other word for it.



for practical office automation

1–FLEXOWRITER®. The Flexowriter automates the preparation of sales orders, purchase orders, etc. Produces by-product tape for further data processing–conversion to tab cards or direct computer input.

2–COMPUTYPER®. Makes billing almost completely automatic–automatic input of constant information, automatic calculation and readout of all mathematical data, automatic production of by-product paper tape for further data processing.

3–COLLECTADATA®. Transmitters spotted through plant or office transmit reports to a central receiver which records the information in punched paper tape.

4–JUSTOWRITER®. Graphic arts application of the Flexowriter principle, the Justowriter automatically justifies composition and automatically prints it out on the offset master or repro proof.

5–SELECTADATA®. Connected to a Computyper or Flexowriter, the Selectadata automatically selects and reads out any one of 127 classifications of data or program instructions called for by the master machine.

6–MODEL SBT CALCULATOR. Friden's famous "Thinking Machine of American Business." Performs more figurework steps automatically without operator intervention than any other calculator.

7–MODEL ACY ADDING MACHINE. Versatile, high-speed adding machine with "Natural Way" keyboard design and exclusive visual check dials that allow the operator to verify each entry before it's printed.

8–TELEDATA®. Any data coded into punched paper tape (5, 6, 7 or 8 channel) can be swiftly transmitted between Teledata units–across the plant or across the nation, via telegraph, telephone or micro-wave.

9–ADD-PUNCH®. Operated exactly like a ten-key adding machine, the Add-Punch automatically records all calculations, or any phase of them, into punched paper tape. This tape is then used for further processing–automatic conversion to tab cards, or direct computer input.

For full information, call your local Friden Office, or write: Friden, Inc., San Leandro, California. © 1961, FRIDEN, INC.

Friden

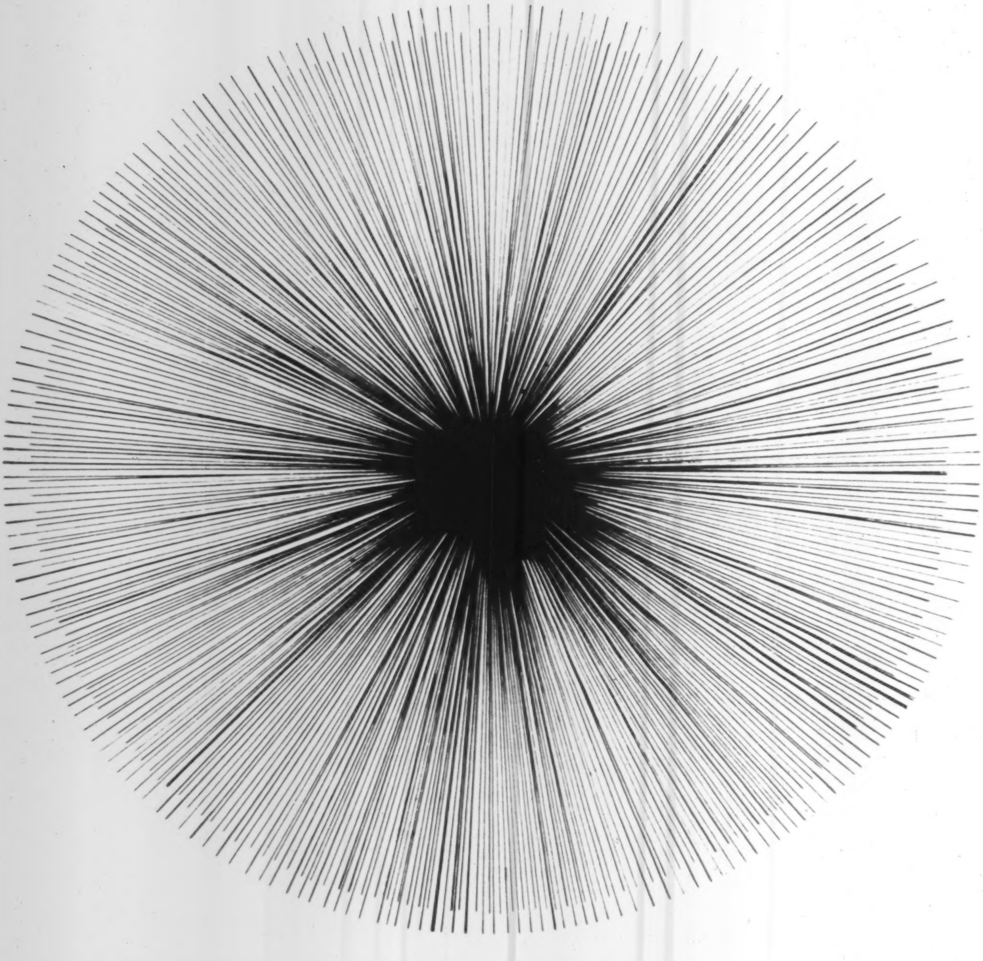
Sales, Service and Instruction Throughout the U.S. and World

A second sun: made in U.S.A.

The sun produces energy through nuclear fusion—a gigantic hydrogen explosion that has been going on for more than 500 million years. We may duplicate it. Scientists at Princeton University are experimenting with a *Stellerator* to attain controlled nuclear fusion that will produce endless energy from the hydrogen in sea water. The Stellerator is supported by 17 USS Quality Forgings that could be made from only one material—a new, non-magnetic Stainless Steel called Tenelon, developed by United States Steel.

Although the Stellerator is strictly experimental, there would be no nuclear programs of any type without steel. The very heart of an atomic generating plant—the reactor vessel—must be steel, whether it's the power plant of a nuclear submarine or a commercial generating station. In addition to the reactor, the power station literally bristles with tons of special steels developed in the laboratories and produced in the mills of United States Steel. If nuclear power is the door to America's future, the key is steel. *America grows with steel.*

USS and Tenelon are registered trademarks



United States Steel USS

Ideas at Work

➪ *Clean up, tidy up, add a woman's touch. This formula, says one firm, keeps the lady customer buying.*

➪ *To give a new product a flying start, praise from the "summit" will help. A novel idea, but effective.*

Sparkle for Profits

Driving into an auto service station for anything more than a fast "fill 'er up" can be a depressing experience. Rusty tools strewn about, old tires tossed in heaps and oil slicks everywhere scarcely delight the critical eye. Most service station managers get used to the grime. Some even feel it provides atmosphere.

But not so the woman driver who today accounts for a major slice of gas station sales. Worried about alienating her, the Union Oil Co. of California decided to upgrade the appearance of its gas stations. To do this, it established a special, temporary corps of lady inspectors who check service installations for neatness and cleanliness two months each year.

These women, dubbed the Sparkle Corps, check for such housekeeping violations as dusty windows and broken equipment. To get dealers to cooperate, Union Oil has made a contest of the inspection campaign.

Sparkle girls wander through Union's marketing area, grade each station. Dealers who score 90% or better win prizes; top man receives an engraved gold watch.

Does the program work? Union Oil says yes—emphatically. It recalls that in the past, mailed exhortations to tidy up invariably landed in the waste basket. And somehow the regular crew of male inspectors doesn't get the same results. But the Sparkle Corps has sparked a genuine clean-up habit that sticks with dealers the year round.

A "SPARKLE GIRL" checks for tidiness and cleanliness in a gas station on her route. The uniformed inspectors make their unannounced visits periodically.

Lunch on the Cuff

To make its company restaurant more attractive to employees, the Northern Natural Gas Co. is giving them a chance to dine somewhat in the style of expense-account executives. Its method: issuing credit cards to employees so that they can sign for lunch instead of shelling out cash.

After an employee finishes lunch at the company's Omaha office dining room, he shows his card to the waitress, who jots the worker's name down on the check. The check total is transferred to a dining room account card which is kept for each worker. This is sent to the payroll office at the end of each month for paycheck deductions.

Since employees may invite family members or guests to dine with them, the agreeable atmosphere that this credit-card living creates has met with enthusiastic employee response. The cost to Northern Natural, says the company, is "negligible," consisting only of "minor printing and bookkeeping charges."

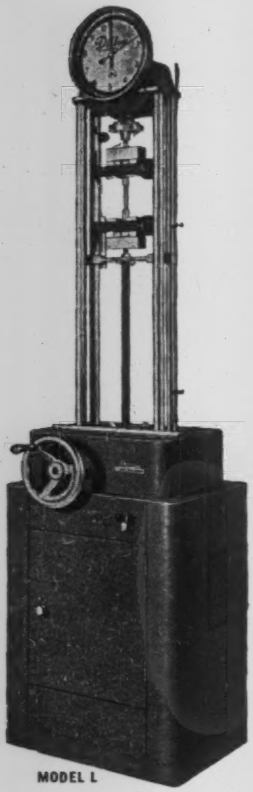
Praise from the Summit

One way to sell a product is to surround it with an aura of prestige. And one way of doing that is to get the right people to endorse it. The question is: Who are the right people?

Shoreline Enterprises of America, Inc., a division of the food-making Salada-Shirriff-Horsey Corp., decided that the only flesh-and-blood celebrity really "known" by most people was their home town mayor. And so when Shoreline launched its "Harbor House" frozen shrimp dishes, it contacted mayors in all its key market cities for a word of praise.

First stop was in Shoreline's home-

from paper to steel
a Dillon
UNIVERSAL TESTER
will test them all!



MODEL L

Whether you are working with metal, plastics, wire, rubber, springs, etc., an inexpensive DILLON Tester will make *hundreds* of accurate checks daily in your shop. Universal! Operates in tensile, compression, transverse or shear. Handles round, flat or special shapes. Two different machines—Model M for low strength materials between 0 and 300 lbs., and Model L for materials up to 125,000 lbs. PSI tensile. Hand wheel operated or motorized. Wide range of gripping fixtures.

MODEL M

Model L, above, is shown on stand. 7 interchangeable gauges provide wide range. All equipped with max. indicator.
Model M, at left, is pendulum type. Has 5 scales. Meets ASTM & Fed. specs.
Write TODAY for brochures and LOW price schedule.
LM-28

W. C. Dillon & COMPANY, INC.
DEPT. 105, 14620 KESWICK STREET
VAN NUYS 80, CALIF.

"SUMMIT" promotion sends Shoreline shrimps to mayor of Grand Rapids.

town of Tampa, Florida, where Mayor Julian Lane posed with the product and gave it his blessing. In fact, Lane was so carried away with Harbor House shrimp, he wrote personally to wholesale buyers the country over, extolling the dish.

Following up on this praise from the municipal summit, Shoreline sent a Harbor House dinner to the mayor of each market city, let it be known he was first in the community to taste the product. In each case, dinner was served in the City Hall while flash bulbs popped and newspapers were alerted.

Result: "Impressive consumer response" to the product, says a Shoreline spokesman, and "clear success" in establishing a prestige image.

Cost Cutter's Reward

A very real source of profits in any company is cost-cutting suggestions made by employees. To stimulate a flow of good ideas, companies have run contests and picnics, held rallies, tacked up posters, even visited employees in their homes. But at the Convair Division of the General Dynamics Corp. in Fort Worth, Texas, a "Suggesters' Hall of Fame" periodically prods employees into stuffing the suggestion box with their carefully considered ideas.

On view for only three weeks a year, the "Hall of Fame" stimulates suggestions for months after it is shut down. Yet its composition is simplicity itself. Photographs of outstanding suggesters are posted in a heavily traveled passageway between the company's office and factory areas. Normally, 8,000 to 12,000 people pass the exhibit once each day.

Each photograph bears a caption identifying the suggestor, listing his gains in terms of cash and recognition. The display has twice been judged a winner in its class by the National Association of Suggestion Systems. Total cost of the exhibit: $125. And last year the suggestion program accounted for $2.1 million in installed savings for Convair.

The Weight of Success

Just how difficult is it to lift sales 18% a year, increase office efficiency by 20% and cut absenteeism by 25%? The Nanaimo Realty Co., Ltd. in British Columbia, Canada achieved these startling results by sponsoring a company weight-reduction contest. Entered on a voluntary basis, the contest has helped personnel to shed a quarter-ton of fat and boost their life expectancy by decades.

Employees who enter the contest (one starts every month), win $25 for the first 10 pounds of overweight they shed and $2.50 for each subsequent pound. Any time an employee feels he is a waist-reduction winner, notes Nanaimo's President Frank J. Ney, he weighs in on the company scale and claims his prize. However, Nanaimo pays off only if the weight loss holds for sixty days.

Ney reports male employees jump into the contest with more enthusiasm and success than females—probably because ladies tend to watch their weight anyway. Office girls who manage to lose only one or two pounds get rose bouquets for the effort.

With excess weight melted away, Nanaimo personnel have more zest for their jobs, Ney reports. And as unbelievable as it may seem, Ney contends that the health program was directly responsible for the sharp uplift in sales and the drop in absenteeism which Nanaimo achieved.

Juvenile Market Cleanup

Millions of mothers go grey each year trying to keep Junior or Sis from monkeying with the household's electrical gadgets. But Lewyt Corp. of Long Island City, makers of vacuum cleaners, feels America's mothers may be too harsh on their budding engineers. Sensing a possible adaptation of its product to the juvenile trade, Lewyt's home service bureau is compiling a list of games that children can safely play with a vacuum cleaner.

To enlist Mom's support for this revolutionary idea, Lewyt is asking housewives themselves to submit game suggestions. Accepted ideas will each win a new cleaner. Some suggestions that Lewyt feels are adaptable to small-fry parties include:

- Balance the Balloon—employing the vacuum's blower attachment, an inflated balloon is hoisted into orbit. The child who keeps the balloon aloft longest wins a prize.
- Penny Pickup—kiddies use the regular carpet nozzle to draw up pennies sprinkled about the rug. The child snatching the most coppers in a specified time wins a prize. Losers keep the pennies they have grabbed.

Lewyt has not yet explored the adult game market. But Penny Pickup (played with silver dollars, of course) seems to hold some promise.

Open House for the Spouse

For every man on the job, there is usually a wife back home wondering just what the breadwinner actually does during his workday. To gratify the curiosity of some 3,000 women, the Texas City plant of Union Carbide Chemicals Co. decided to throw open its gates and welcome the wives for a day-long tour. Since UC was celebrating its twentieth year on the Texas City scene, the company decided to knit the anniversary theme into its welcome to wives.

Wives' Day started promptly at 8:30 a.m., with visitors streaming

A CARBIDE worker explains his job while family members eagerly listen.

Multi-million-dollar vote of confidence in Kentucky

Armco Steel Corporation recently announced a $95,000,000 expansion program—a major portion to be at its Ashland, Kentucky plant.

Logan T. Johnston,
President,
Armco Steel Corporation

TODAY more than ever before in history, Kentucky offers the Nation's greatest industrial opportunities. *Why?* In January, 1960, Kentucky's Governor Combs and Lieutenant Governor Wyatt announced a multi-faceted program to supplement the State's abundant natural advantages for industry. *Today, every one of the many projected activities has actually been launched.*

Result: In the past 18 months more new plants and expansions have been announced or actually completed than in any like period in history. Armco Steel Corporation, for example, is spending a major share of $95,000,000 to expand its plant in Kentucky. Armco's president, Logan T. Johnston, says, "Kentucky has many advantages . . . natural resources, rail and water transportation, central location, and most important, Kentucky has hard-working, intelligent, self-reliant people. We like the business climate and we expect to grow with Kentucky."

Let us tell you about the many competitive advantages a Kentucky plant site can offer *your company*. Address: Lt. Gov. Wilson W. Wyatt, or E. B. Kennedy, Commissioner, Dept. of Economic Development, 325 State Capitol Bldg., Frankfort, Kentucky.

Kentucky offers many competitive advantages...

LOCATION—68.4% of Nation's population within 500 mi., 38.1% within 300 mi., 21% within 200 mi.

FINANCING PLANS – more industrial financing plans (five) than any other State in the Nation.

TRANSPORTATION FACILITIES – served by 4,000 mi. of track, 20,000 mi. of State-maintained highways, more miles of navigable rivers than any other State, seven major airlines.

POWER CAPACITY – sufficient public and private reserve capacity readily available to supply the needs of any new or expanding industry.

WATER RESOURCES – Kentucky has adequate ground and surface water to fulfill *all* present and future needs.

LABOR FORCE – survey of Kentucky's 1,000 largest manufacturers shows 94% consider their labor productivity from average to very high.

COAL RESERVES – third-largest bituminous coal-producing State with two large, widely separated fields.

NATURAL GAS – more than 90 of Kentucky's 120 counties have natural gas.

RAW MATERIALS – *Natural:* coal, natural gas, oil, limestone, silica sand, fluorspar, ball and fire clay, timber. *Manufactured:* chemicals, metals, plastics, coke, synthetic rubber, to name only a few.

RESEARCH FACILITIES – New Spindletop research facility is a three-way partnership: the State, University of Kentucky and private industry.

COMMONWEALTH OF
KENTUCKY
WHERE BIG THINGS ARE HAPPENING

Suddenly you're an Angel

to your *customers, employees and friends!*

You're an *"angel"* because you presented them with the *MOST UNUSUAL* Christmas gift-giving idea EVER SEEN...something they could REALLY USE!

★ ★ ★ ★

You're an *"angel" and everyone agrees!* Even your customers would call to say "THANK YOU" for your *unique and wonderful remembrance* and thereby open the door to ADDITIONAL SALES! Your employees and friends too, *showed their appreciation* in the many small ways ONLY YOU would understand.

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If you buy gifts *(between $7.50 and $100.00 each)*, you'll surely want to see this *unusually practical, sensationally simple* and *refreshingly different* way of saying "THANK YOU" to the people who are IMPORTANT TO YOU AND YOUR COMPANY.

WRITE FOR MORE INFORMATION

MAIL THIS COUPON TODAY

Automated Gift Plan, Inc.,
80 Park Avenue, New York 16, N. Y.
DR-3A

Please send further information.

Company ______
Address ______
City ______ Zone ___ State ______
Att ______ ______
We use approx ______ Gifts in the $7.50 to $100.00 price range

through the plant gates underneath large banners proclaiming "Welcome Carbide Wives." A sprinkling of self-conscious husbands of Carbide women was also on hand. The guided tour began at the plant dispensary, meandered through various production departments and boarded an air-conditioned bus for a drive around the grounds. The day was topped off with a huge buffet dinner in the company cafeteria, which was climaxed by a 100-pound birthday cake heralding "Carbide's 20th Anniversary."

Before leaving the plant with their husbands, each wife received a plastic "loot bag" containing a record featuring song hits of the last twenty years, and miscellaneous souvenirs.

Advertising the Individual

Many an employee who meets the public is cautioned to be on his best behavior. Reason: when customers think of the company, they often personalize its image in terms of the representatives they have met.

This probably goes double for insurance companies, which do most of their selling through field salesmen. So instead of trying to lick human nature, The Penn Mutual Life Insurance Co. has decided to capitalize on it. It has done so by concentrating the bulk of its advertising on enhancing the individual salesman's prestige—rather than the company's.

This policy has led to ads in national magazines, like *Time* and the *Saturday Evening Post,* extolling the virtues of individual representatives. In such ads, words about the company itself are limited to those comprising its name.

The policy reached a new phase recently when the company set up a new honor club called Royal Blue. One requirement for membership is that the salesman must place at least $2 million of paid life insurance during the calendar year. When charter members were invited to the club's first meeting, national magazines carried advertising calling attention to the meeting. On top of this, each salesman's home town paper carried an ad with his photo, his name and an explanation of his importance to the company.

Putting most of the ad dollars in one basket may seem risky. But Senior Vice President John M. Huebner says Penn Mutual has found it a resounding success. —J.J.F.

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FAST, EASILY AT LOW COST

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- *PLUGS IN ANY 110-120 OUTLET*
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Get all the details on this high speed, versatile conveyor. Also ask for brochure, "How to Plan and Install Your Own Conveying System."

Only $461 for 12 foot model shown. Also built in 16 and 20 foot models.

Wide range of accessories for increased versatility.

Prices F.O.B. Morton Grove, plus state taxes

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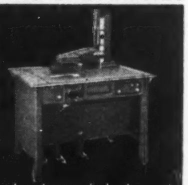

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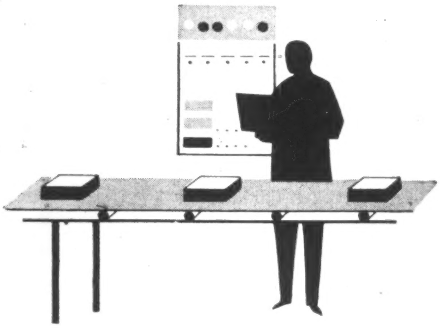
99 Church St., New York 8, N.Y.



Inside Industry

» *Refrigerating with liquid gases: a revolutionary approach to food preservation.*

IS IT an unnecessary waste of $1 billion or $4 billion a year? Nobody knows for certain, but the experts believe that somewhere between 3% to 10% of the $41 billion worth of refrigerated and frozen food consumed in the U.S. each year is wasted or damaged by poor refrigeration. One reason that the extent of damage cannot be calculated is simply because much of it is never detected, except by the consumer who finds himself opening, say, a can of sour, frozen orange juice.

If poor refrigeration only meant poor taste, it would still present a major problem to the nation's foodmen. Customers left with a bad taste in their mouths would just stop buying, as they did roughly a dozen years ago when booming sales of frozen food suddenly slumped because a handful of low-grade processors temporarily gave it a bad name.

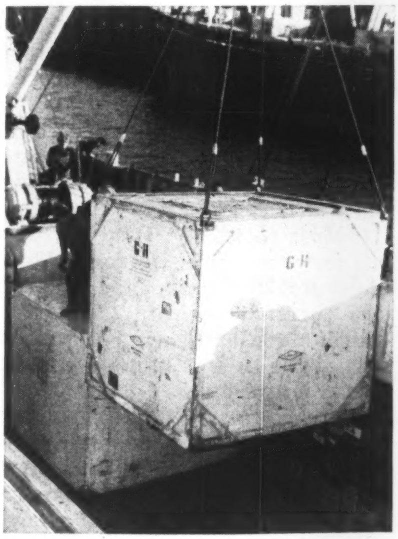
Added to that, inadequate refrigeration can lead to widespread food poisoning. "There's more of it than you realize," says a spokesman for the Department of Agriculture. "But since the symptoms often are minor, people shrug them off—and don't realize they've been hurt by bad refrigeration."

Fortunately, the food industry appears to be working its way out of that situation. Two technical industries are coming to its rescue. First, the plastics industry is offering better thermal insulation. Foam plastics not only repel heat better than most other materials, they do not absorb water. For foodmen that is a far more important quality than it might seem. Water-soaked insulation, simply put, is one form of ballast that the nation's weight-conscious truckers do not want to carry.

But the most important development of all is that the $500-million-a-year air-products industry is promoting revolutionary new *non-mechanical* ways of refrigerating. These new ways are based on the fact that the components of the earth's atmosphere give off tremendous quantities of heat when they are liquefied and, conversely, absorb tremendous amounts of heat when they are allowed to gasify.

Engineers have been aware of this textbook principle for decades, but it is only lately that they have tried to bring it into the realistic world of food refrigeration. The component of air best suited to refrigeration is nitrogen. Not only is it inert, there is plenty of it available since nitrogen makes up four fifths of the atmosphere.

Rapid cooling with squirts of liquid nitrogen at —320F is now being rapidly introduced in door-to-door refrigerator trucks. Here, conventional mechanical refrigeration can no more cope with repeated opening and closing of truck doors than can a home refrigerator whose doors are repeatedly opened and closed. The undisputed leader in air products, The Linde Co., a division of Union Carbide Corp., with a few successful fleet installations to its credit, now believes that the cooling of the nation's 200,000 refrigerated delivery trucks with liquid nitrogen will dominate the business of delivering ice cream, meat, frozen food and other perishables to supermarkets, restaurants and home food freezers in a dozen years.

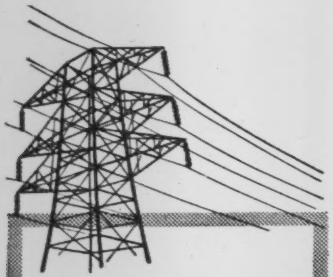


FOOD in this container is kept cold for months by one liquid-gas blast.

Some of Linde's competitors, it should be noted, do not share its certitude. The Liquid Carbonic division of General Dynamics Corp. and the Cardox division of Chemetron Corp. are pushing related systems using a different cooling medium. The medium: liquid carbon dioxide. Familiar in solid form as "dry ice," liquid carbon dioxide does not have as much cooling power as liquid nitrogen. It is, however, still slightly cheaper per pound on the average. Moreover, it gives the shipper added cubage, because the storage tanks for liquid carbon dioxide are slung under the body of a truck rather than inside as in the liquid nitrogen systems.

Truckers are already being conditioned to the use of —109F liquid carbon dioxide by Air Reduction Co. Number Two ($200 million annual sales) in the rocketing air-products industry, Airco has been selling "blast chilling" with liquid carbon dioxide for several years. This type of cooling is used to aid conventional refrigeration. As soon as a truck is loaded with frozen products, a blast of liquid gas is piped into the storage space. It helps protect the contents while the regular cooling unit is laboring to pick up the load. The Borden Co. is already sold on the system for ice cream delivery, cooling 100 trucks in the New York City area alone.

Airco officials hope to see every truck-stop station offering emergency



Southern California Edison Company

DIVIDENDS
The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK
Dividend No. 207
65 cents per share;

PREFERENCE STOCK,
4.48% CONVERTIBLE SERIES
Dividend No. 58
28 cents per share;

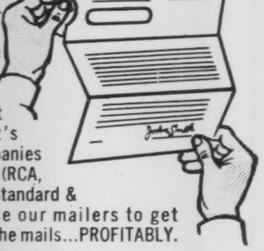
PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 54
28½ cents per share.

The above dividends are payable October 31, 1961 to stockholders of record October 5. *Checks will be mailed from the Company's office in Los Angeles, October 30.*

P. C. HALE, *Treasurer*

September 21, 1961

Edison



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blast cooling to over-the-road trucks whose refrigeration is defective or whose mechanical systems cannot hold the load on a blistering hot day.

Once they start to make big inroads into the refrigerated delivery truck business, air-products suppliers intend to tackle another lush market. The target: the more than 40,000 refrigerated trailers and some 116,000 refrigerated box cars in the U.S. On trucks particularly, mechanical refrigeration is subject to high maintenance costs and annoying breakdown. The reason is simple. To keep the equipment as light as possible, it is run at high speed. And, as any engineer knows, that is a punishing pace for machinery.

On the average, a mechanical refrigeration unit, costing upwards of $4,500, only lasts four years—exactly the length of time which the Government allows for its depreciation. In contrast, a liquid gas system costs only about $1,000 and should last even longer than the eight-to-ten-year life of the trailer. Even better, the liquid system has only one moving part: a thermostat-controlled valve, which means low maintenance and high reliability.

More advantages

There are other pluses to liquid gas cooling systems that are inducing such big trailer leasers as REA Express and Ryder System to offer them to their customers:

- The equipment is only about one quarter the weight of the equivalent system in mechanical refrigeration.
- Nobody is going to walk off with a tank of liquid nitrogen or carbon dioxide. In contrast, some truckers report heavy pilferage of spares for the small gasoline engines that power mechanical systems because the same motors are used in power lawnmowers and racing "karts."
- Meat cooled by liquid gas does not lose any weight. In conventional reefer trucks and box cars, the average carcass loses up to 2.5% of its weight through drying. For packers who work on a 1% profit margin, that is no small loss.

Most experts are agreed that liquid nitrogen will be the cooling medium for long-haul refrigerated transport in the future. Per pound, liquid nitrogen sucks 83% more heat out of a cargo than liquid carbon dioxide. So liquid nitrogen seems almost certain to beat out its competitor, particularly if its

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price drops from the present 2.5-cent to 10-cent per pound level because of greater demand.

As a result, many nitrogen suppliers gleefully talk about a $400-million-a-year refrigeration market in ten years. And in addition to food, they note, liquid nitrogen also has great potential for freezing whole blood and in "cold stretching" of steel. Whole blood frozen and preserved by liquid nitrogen can be stored indefinitely.

Arde-Portland, Inc. developed the cold-stretching process in which large stainless steel vessels are cooled by liquid nitrogen and stretched by the expanding gas. Tensile strength is upped 30%.

James Leonard, president of Liquifreeze Corp. of America (which is owned fifty-fifty by Idaho Maryland Industries and Ward Industries Corp.), is another executive who is counting on a drop in the price of liquid nitrogen to help put across his company's special refrigeration system. Unlike the "incremental" cooling systems advocated by the liquid-gas suppliers, the Liquifreeze system calls for one big initial blast of liquid nitrogen into the loaded, sealed trailer or box car. Temperatures are quickly dropped to —100F or even —200F. If the insulation is sound, Leonard points out, heat seeps in so slowly that the temperature of the contents never rises above —20F.

Success story

Liquifreeze Corp. has proof of the practicality of its system, which is also attractive because it does not require the vehicle to tote around bulky cylinders of gas. For the past three years the company has been making transportation history by shipping frozen food to all parts of the world without additional cooling.

In one extreme case, the company notes, the contents of 8-foot by 8-foot by 8-foot insulated containers were still below zero when they were opened at the Equator sixty days after they were cooled. However, the Liquifreeze system cannot be applied to products such as fresh fruits and vegetables that cannot stand extremely low temperatures.

Already looking beyond the $200-million-a-year refrigerated transportation business, Liquifreeze and its rivals now are planning to tackle the big market in frozen-food processing. "This will be a tough market to break

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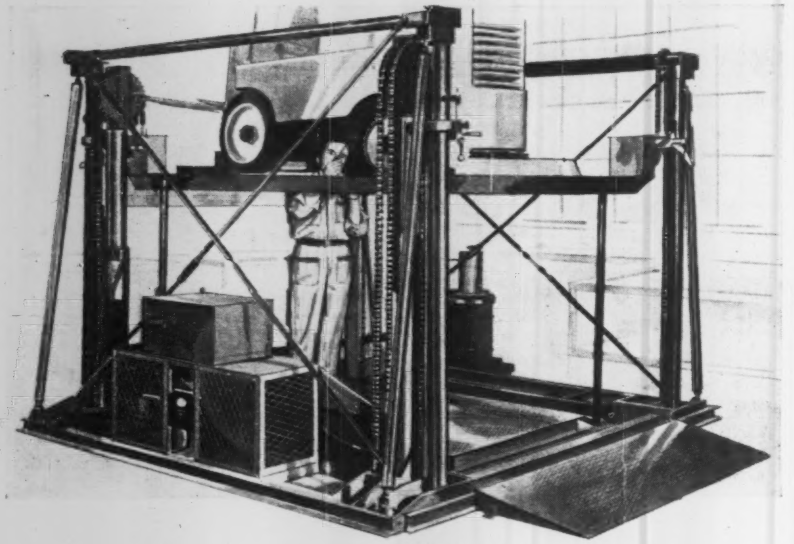

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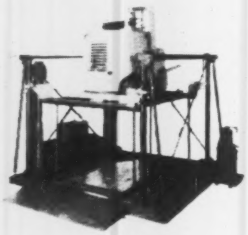

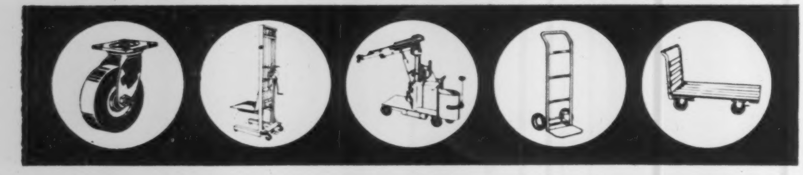

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into," admits one official of Air Products Co. Reason: at a cost of 3 cents to 5 cents per pound of food frozen, liquid nitrogen just cannot compete with conventional food freezing where costs run from 0.5 cents to 1.5 cents per pound. Initially, technologists are aiming to exploit the special fast-cooling advantages of liquid nitrogen. As it catches on for special jobs, such as freezing of baked goods and strawberries, they hope the price of gas freezing will then drop enough to open up a big mass market.

The boom has already started in a small way. Mealmaster Systems of Toronto is introducing dietetically balanced meals frozen by liquid nitrogen. The systems are going first to institutions and factories in Canada, then to the U.S. Over forty varieties of platters, selling to employees for from 35 cents to $1, will be available. Once an employee selects a platter, he sticks it into a Raytheon Radarange, which serves it up piping hot in exactly fifty seconds.

A spokesman for Liquifreeze Corp., which developed the system, claims there is no waste in this process. If a platter is not selected one day, he notes, it can be held safely in conventional refrigeration for three or four days.

Another contender

Airco is also plugging away at the food freezing business. To gain a foothold here, it has hired eight scarce food technologists to work with a number of the largest food processors on special liquid-gas freezing systems. Not unnaturally, Airco expects to grab the inside track on supplying all the liquid gas that will go into the freezing machinery it builds.

Airco specialists are also attempting to combine "immersion freezing" (their trade name for liquid-gas freezing) with another new preservation technique called "freeze drying." In this process, the water in frozen foods is removed almost instantaneously by vacuum. No matter how strange it seems, the result is a 98%-dehydrated product that can be stored on shelves indefinitely without refrigeration. Soaking in water "reconstitutes" the food for cooking.

So far the process has been an expensive one and, even worse, the resulting meal is not very tasty. So Armour & Co., the big meat packer, is offering its line of freeze-dried foods only to hunters, fishermen, the military and others willing to pay the price of taste in return for the long shelf-life.

Quite naturally, manufacturers of conventional in-transit refrigeration equipment are throwing cold water on the new liquid-gas cooling techniques. Publicly, they state that gas-cooling is not "proven," still has many bugs in it. Privately, they are plenty worried.

To counter gas cooling, they are working furiously on new refrigeration techniques and improvements of their own. For instance, the recent acquisition of Thermo King Corp. by Westinghouse Electric Corp. gives the former access to the latest in thermoelectric cooling technology.

When asked if Thermo King, a Minneapolis-based, $20-million-a-year manufacturer of in-transit mechanical refrigeration, was working on no-moving-parts thermoelectric cooling, a company official would not deny the possibility. He even pointed to the truck's muffler as a possible source of waste heat to be converted into "free" electricity by one thermoelectric unit, then turned into cooling power by a second thermoelectric device. However, he conceded that present thermoelectric materials are still too inefficient for practical trucking applications, though a "scientific breakthrough" could change all this.

Revolutionary portents

All of these developments in food preservation and transportation, of course, presage far-reaching changes in the $90-billion-a-year food industry—and better quality and health standards for the consumer. But they will take time to develop. Even if all the continent-spanning piggyback tests of liquid-gas cooling take the transportation industry by storm, it will still take a dozen years for all present moving equipment to wear out and be junked.

In the meantime, there is one simple step carriers can take to improve refrigeration. "All they have to do to gain a few more precious degrees of cold on the inside," says an official of the U.S. Department of Agriculture, "is paint all the reefer trucks and trailers and box cars with a high-gloss white enamel—and then keep them clean." But even that seems hardly destined to slow up the inexorable march of nitrogen cooling.

—M.M.

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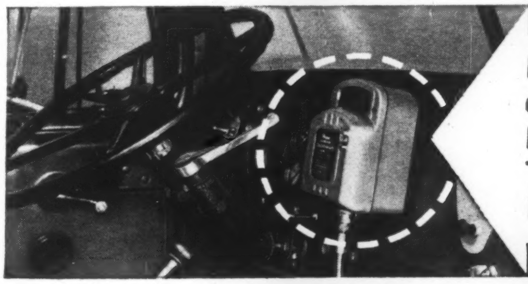

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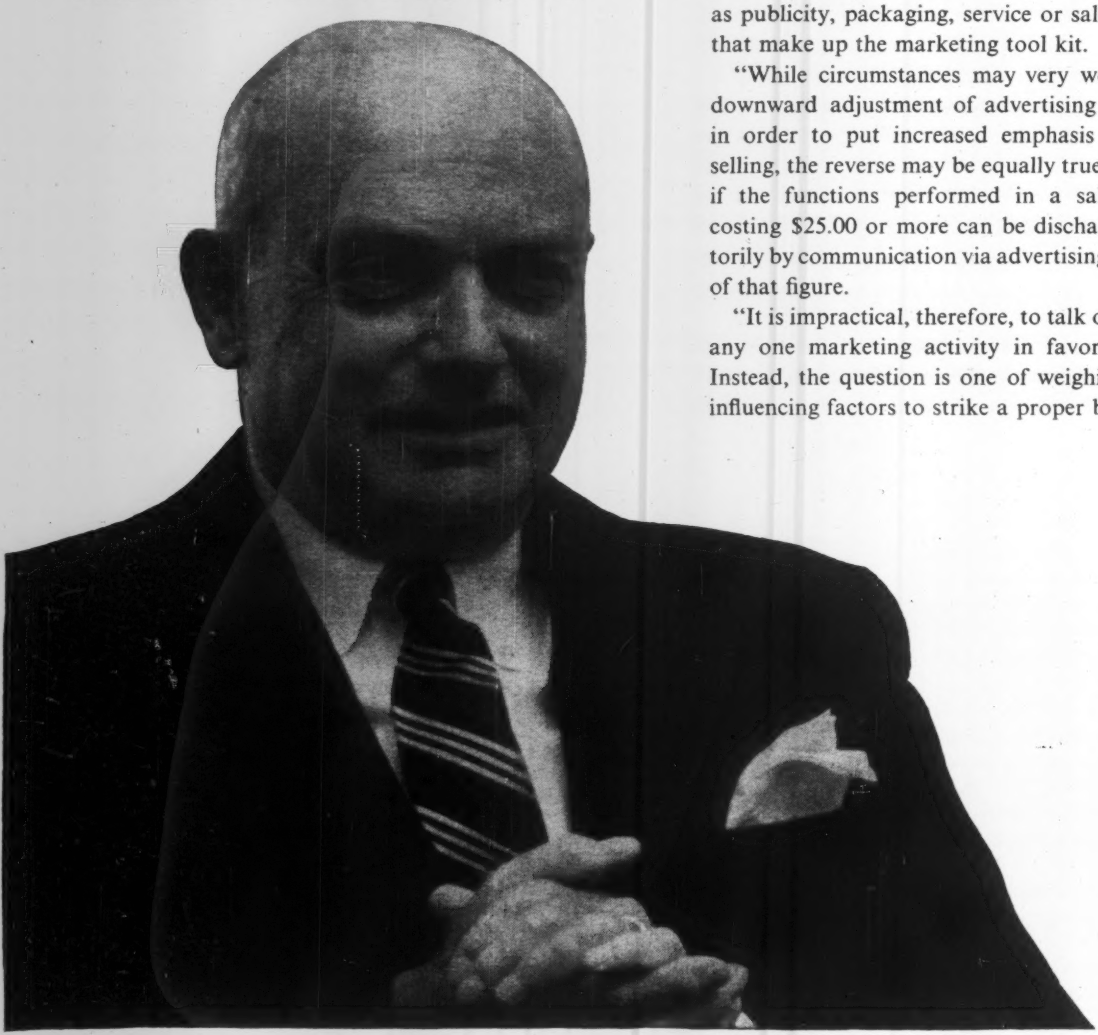

“Advertising, although indispensable in our modern economy, can never perform the entire marketing job by itself. But neither can direct selling, nor any other single one of such sales-producing influences as publicity, packaging, service or sales promotion that make up the marketing tool kit.

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New Product Parade

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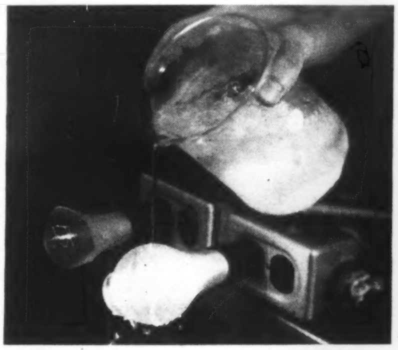
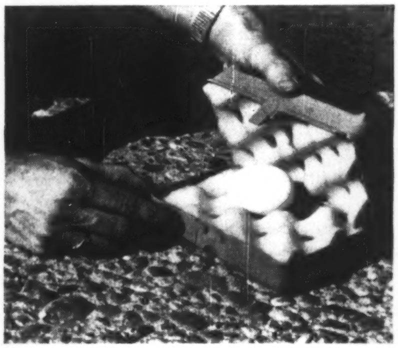
BULL HORN: This portable voice amplifier has a range of 1,000 feet and will double as a long-range hearing device. The unit weighs a pound less than competitive horns and is designed for a variety of uses including sports, in-plant communications and traffic control. $14.95. *"Rangerhorn," Electrosolids Corp., 12740 San Fernando Rd. N., Sylmar, Calif.*

►

NO-BANG BULBS: In contrast to the ordinary bulb which exploded, this new one withstands iced water, thanks to reinforced silicone adhesives and glass yarns. With a life three times conventional bulbs, it shrugs off the effects of weather, flying sparks, welding slag, solder, other plant hazards. *"Flamescent," Duro-Test Corp., North Bergen, N.J.*





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SAFE DROP: The egg safely survived a 40-foot drop, nestled in this new protective plastic container. Designed to ship or store fragile items, the box has interlocking polyurethane cushioning that compresses to 20% of the total space. The price is reputedly one-third of similar boxes. *"Kudl-Pak," Navan Products, Inc., El Segundo, Calif.*

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FAST FILING: This filing cabinet opens from the side, exposing all the contents for fast selection. The combination cabinet can be used as a shelf file by pulling folders from the side, or the drawers may be pulled out for "drop-filing" from the top. *"Shelvadrawer," Wheeldex & Simpla Products, Inc., 1000 N. Division St., Peekskill, N.Y.*

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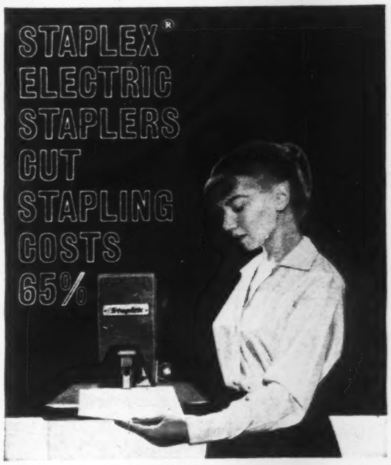

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GIBBERISH: Mobile-radio messages are sent in privacy with a new portable scrambling attachment. A transistorized microphone-receiver fits standard radio units, and will transmit either coded or clear signals. Matching code units can be added to expand the security system. *"Scrambler Model 106," Delcon Corp., 943 Industrial Ave., Palo Alto, Calif.*

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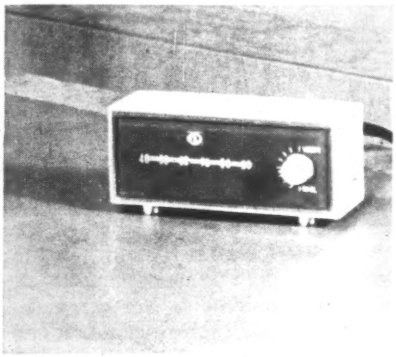

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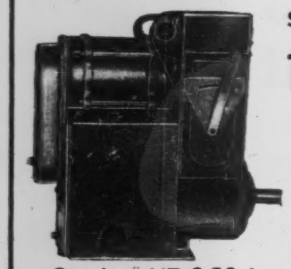

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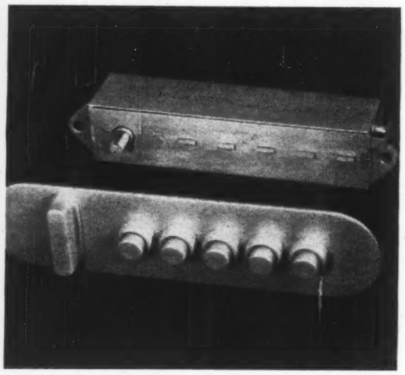

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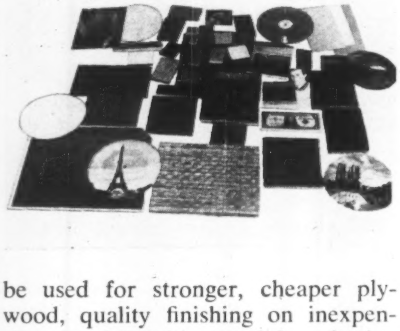

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ADVERTISING SALES STAFF
EAST:
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Philadelphia 2, 3 Penn Center Plaza, LOcust 8-2749..........Alvah B. Wheeler
WEST: John Krom, Western Sales Manager
Chicago 6, 300 W. Adams St., RAndolph 6-8340..........John Krom, Ralph O. McGraw, August F. Blaha
Cleveland 13, 635 Terminal Tower, TOwer 1-3520..........Harry O. Andrews
Detroit 26, 1100 Cadillac Tower, WOodward 1-3764..........Carl Neppach, Jr.
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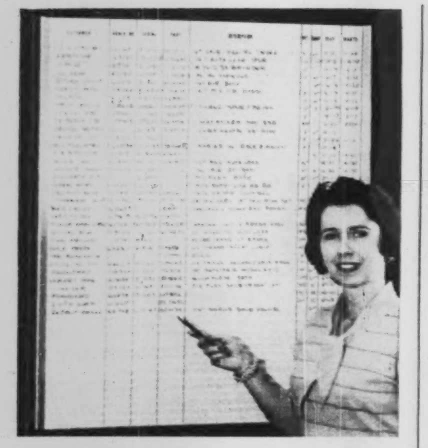

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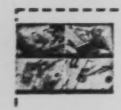

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The Reviewing Stand

The Imitative Instinct

THE power of suggestion has both good and evil aspects. Someone hijacks a passenger plane, and a half-dozen idiots follow suit. A sneak on a rooftop in a city ghetto hurls a brick at a policeman, and a dozen morons pull bricks from the chimneys and endanger the passerby. A vandal breaks a window at one school, and soon the Board of Education has to put a glazier on the job at a dozen others. In one generation, the power of suggestion sets college boys to swallowing live goldfish; in the next, it has them raising beards to cover up a facial and mental vacuum.

Despite centuries of civil discipline, the instinct for virtue and order holds only a narrow margin of control over the brute in us. That is why the shrewd demagog, with his ability to spread a contagious mood, is such a menace.

Yet the same kind of infection must carry the opportunity for good. The purveyors of common sense and historic principle may shun the zealot's methods of inflaming an audience or propagating an idea, but eloquence and showmanship are not limited to the provocateur. Sane leadership in science, religion or business can dramatize its message and merits through a contagion of spirit. We need look no further than a Tom Dooley, for instance.

Human nature suffers from emotional hunger, and the forces for progress and growth in society should know how to satisfy it with a skill equal to that of the knave and charlatan.

Where Loyalty Begins

Some years ago, the Editor made a large printing purchase for his company, and a minor error occurred which had no effect on the text or appearance of the job. He mentioned this technical fault to the salesman, who immediately seized the opportunity to make himself important in the eyes of the customer. "Make a complaint" the salesman advised. "Write an angry letter. Demand a partial cash allowance. I'll handle it personally."

The Editor did no such thing. Instead, he suggested that the salesman has a misguided sense of loyalty.

Where does a salesman's primary responsibility rest—with the customer or with his company? The salesman should see that specifications are followed, that quality control and inspection are assured and that delivery dates are observed. From that point on, he gains the customer's respect by showing faith in his product and his company's policies. There is no room on a sales force for the chameleon who changes his color to suit a situation.

Back to the Caves

Spelunking, it seems, may soon change from an adventure to a routine. Communities with abandoned mines and tunnels are converting them to fall-out shelters as a protection against nuclear attack.

Primitive man was a cave dweller. Fear, food and family were his first interests as he clawed his way through ignorance toward understanding. Sophisticated man may also be a cave dweller. Fear, food and family are his first interests as he stumbles into the blinding sun of a science devoid of self-discipline.

So the first man and the last may be troglodytes, holed up in the shadows of a mind that can conquer time and space but not the spirit of mischief that lurks within his search for power. Some men go blind peering into darkness, some from staring into light. —A.M.S.

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"Now most calls go through automatically. We know our time and money savings are substantial—and, more important, we're giving our customers better service."

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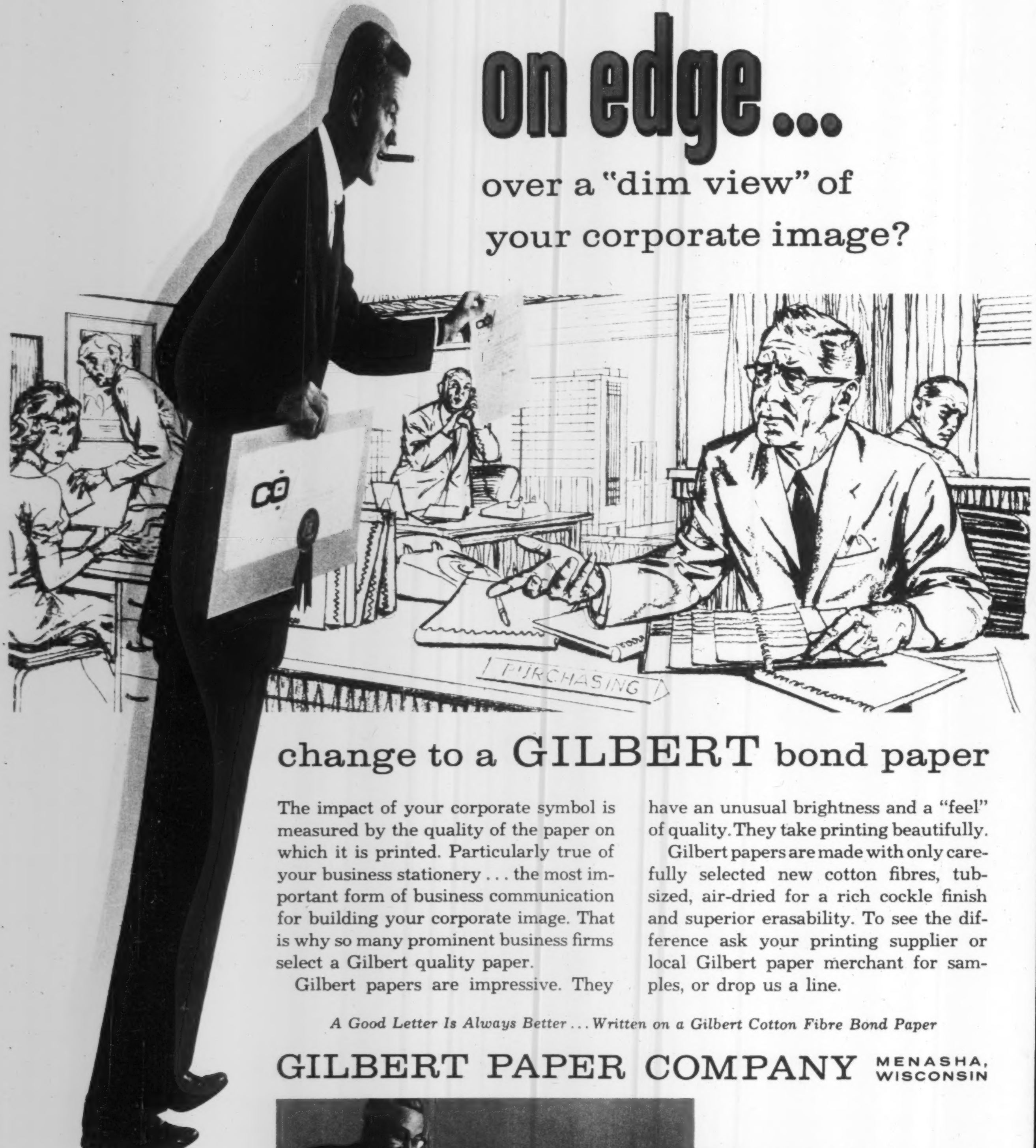

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